INFOMERCIALS: MARKETING GOVERNMENT SMALL BUSINESS LOAN AND GRANT PROGRAMS FOR PROFIT

HEARING

BEFORE THE

SUBCOMMITTEE ON EXPORTS, TAX POLICY, AND SPECIAL PROBLEMS

OF THE

COMMITTEE ON SMALL BUSINESS
HOUSE OF REPRESENTATIVES

ONE HUNDRED FIRST CONGRESS

FIRST SESSION

WASHINGTON, DC, MAY 2, 1989

Printed for the use of the Committee on Small Business

Serial No. 101-9

U.S. GOVERNMENT PRINTING OFFICE
19-327
WASHINGTON : 1989

For sale by the Superintendent of Documents, Congressional Sales Office
U.S. Government Printing Office, Washington, DC 20402

H721-33

COMMITTEE ON SMALL BUSINESS

JOHN J. LAFALCE, New York, *Chairman*

NEAL SMITH, Iowa
THOMAS A. LUKEN, Ohio
IKE SKELTON, Missouri
ROMANO L. MAZZOLI, Kentucky
NICHOLAS MAVROULES, Massachusetts
CHARLES HATCHER, Georgia
RON WYDEN, Oregon
DENNIS E. ECKART, Ohio
GUS SAVAGE, Illinois
NORMAN SISISKY, Virginia
ESTEBAN EDWARD TORRES, California
JIM COOPER, Tennessee
JIM OLIN, Virginia
RICHARD RAY, Georgia
CHARLES A. HAYES, Illinois
JOHN CONYERS, JR., Michigan
JAMES H. BILBRAY, Nevada
KWEISI MFUME, Maryland
FLOYD H. FLAKE, New York
H. MARTIN LANCASTER, North Carolina
MICHAEL R. McNULTY, New York
BILL SARPALIUS, Texas
PETER HOAGLAND, Nebraska
RICHARD E. NEAL, Massachusetts
GLENN POSHARD, Illinois
ELIOT L. ENGEL, New York

JOSEPH M. McDADE, Pennsylvania
SILVIO O. CONTE, Massachusetts
WM. S. BROOMFIELD, Michigan
ANDY IRELAND, Florida
JOHN HILER, Indiana
DAVID DREIER, California
D. FRENCH SLAUGHTER, JR., Virginia
JAN MEYERS, Kansas
LARRY COMBEST, Texas
RICHARD H. BAKER, Louisiana
JOHN J. RHODES III, Arizona
JOEL HEFLEY, Colorado
FREDERICK S. UPTON, Michigan
CLYDE C. HOLLOWAY, Louisiana
MEL HANCOCK, Missouri
TOM CAMPBELL, California

DONALD F. TERRY, *Staff Director*
J. DREW HIATT, *Minority Staff Director*

SUBCOMMITTEE ON EXPORTS, TAX POLICY, AND SPECIAL PROBLEMS

NORMAN SISISKY, Virginia, *Chairman*

RICHARD RAY, Georgia
PETER HOAGLAND, Nebraska
ROMANO L. MAZZOLI, Kentucky
H. MARTIN LANCASTER, North Carolina
MICHAEL R. McNULTY, New York
JAMES H. BILBRAY, Nevada

ANDY IRELAND, Florida
D. FRENCH SLAUGHTER, JR., Virginia
JAN MEYERS, Kansas
JOHN J. RHODES III, Arizona

DIANE WORTHINGTON, *Subcommittee Staff Director*
STEPHEN P. LYNCH, *Minority Subcommittee Professional Staff Member*

CONTENTS

Page
Hearing held on May 2, 1989 1

WITNESSES

Tuesday, May 2, 1989

Johnson, William H., Deputy Chief, Mass Media Bureau, Federal Communications Commission 35
MacLeod, William, Director, Bureau of Consumer Protection, Federal Trade Commission 28
McConarty, William A., president, AMAF Industries, Inc. 6
Mitchell, Jeff, assistant deputy director, Small Business Assistance Bureau, Illinois Department of Commerce 14
O'Donnell, David V., director, Small Business and Financial Services, Virginia Department of Economic Development 10
Padden, Jeffery D., director, Small Business Services, Michigan Department of Commerce 12
Swain, Frank S., chief counsel for advocacy, U.S. Small Business Administration 19

APPENDIX

Letters and material received by committee for the record:
- Conference of Southwest Foundations, Maud W. Keeling, executive secretary 108
- Department of Education, Office of Small and Disadvantaged Business Utilization, Daniel L. Levin, Director 131
- Department of Health & Human Services, National Institute on Alcohol Abuse and Alcoholism, Laurie L. Foudin, Ph.D., SBIR coordinator 137
- Edna McConnell Clark Foundation, The, Mary B. Peters, assistant to the president 164
- Farmers Home Administration, Multi-Family Housing Processing Division, Thomas F. Gerlitz, Director 178
- Federal Trade Commission, William C. MacLeod, Commissioner, response to Mr. Bilbray's questions 182
- Florida, State of, Bobby Brantley, Lieutenant Governor 185
- General Services Administration, Office of Small and Disadvantaged Business Utilization, John F. Wynn, Jr., Director 188
- U.S. Department of Commerce:
  - Export Promotion Services, United States and Foreign Commercial Services, Shirley M. Smith, Secretary 193
  - Economic Development Administration, Grant Programs, James L. Perry, Deputy Assistant Secretary 212
- U.S. Small Business Administration, Richard J. Shane, Assistant Administrator, Office of Innovation, Research, and Technology 232

Prepared statements:
- Johnson, William H. 101
- MacLeod, William 85
- McConarty, William A. 43
- Mitchell, Jeff 56
- O'Donnell, David V. 45
- Padden, Jeffery D. 50
- Swain, Frank S., with attachments 61

Transcript of telecast of "Money, Money, Money" 245

INFOMERCIALS: MARKETING GOVERNMENT SMALL BUSINESS LOAN AND GRANT PROGRAMS FOR PROFIT

TUESDAY, MAY 2, 1989

House of Representatives,
Subcommittee on Exports, Tax Policy,
and Special Problems
Committee on Small Business
Washington, DC.

The subcommittee met, pursuant to notice, at 9:30 a.m., in room 2359, Rayburn House Office Building, Hon. Norman Sisisky (chairman of the subcommittee) presiding.

Chairman Sisisky. The Small Business Subcommittee on Exports, Tax Policy, and Special Problems comes together today to examine a growing trend in television advertising—the infomercial.

Infomercials are 30-minute commercials that are designed to look like a television talk show or documentary. This subcommittee is addressing the issue because of the problems that one particular infomercial, a program called "Money, Money, Money," has posed, both for the Small Business Administration, and State and Federal small business grant and loan programs.

The subcommittee has serious questions about whether the laws requiring broadcasters to label commercial messages are being aggressively enforced, and whether the very infomercial format is not intended to disguise the programs' commercial purpose from the viewer.

As chairman, I fully recognize that ultimate solutions to the problems we raise this morning will not come from this subcommittee. However, it is nonetheless important and appropriate for this subcommittee to examine this problem and to suggest possible solutions.

Starting sometime last fall, Federal and State agencies were flooded with phone calls and letters requesting, and sometimes demanding, grants for starting a business. The avalanche was not confined to Government alone, for even private foundations—that is, institutions with only a remote connection to business programming—were flooded with requests for grant money.

The problem here—and I can't emphasize this enough—does not arise because of the interest that people across the country have shown in starting a business. Indeed, if the problem was only that, infomercial-inspired interest in owning a business, then we would be here today to congratulate the producers for a job well done.

I am particularly impressed with the tremendous desire of thousands of Americans who are interested in starting a business. These are the people that make America great. I was a small business owner. I know the hard work necessary to build a successful business. I know how to take a risk, and how to fail. But above all, I know the fulfillment and pride that comes from seeing your dreams of financial independence made real and tangible.

State and Federal Government must do all it can to assist these individuals. Therefore, our focus today will not be that Federal and State agencies are swamped by people seeking information. Clearly, State and Federal small business development agencies exist to provide assistance to potential entrepreneurs.

Our concern today arises from the profound effect that one infomercial has had on the Small Business Administration and other State and Federal agencies. It is a perfect example of the power of television to reach people.

When the phone calls and letters first arrived, agencies had few clues as to the reason for the sudden interest in grants. Sometimes, agency employees had to explain to angry and frustrated citizens that grant money was not available for starting a new business.

The letters were strikingly similar and used the language of the "Money, Money, Money" program. All the writer needed was a Federal grant—somewhere in the range of $25,000 to $250,000—to start a business.

These entrepreneurs often identified themselves as either a woman or a minority. They expected their new business would be funded under executive orders 11625 and 12138. Few were aware that these orders merely direct Federal agencies to give these groups special consideration in the contracting process. However, no agency budget was increased to provide grant money to carry out these objectives.

State and Federal agencies soon began to compare notes, and they noticed a pattern. Public information officers informed potential entrepreneurs that no grants were available for funding a new business. The only grants available were for highly technical or specialized projects. The public information officer would then generally suggest that the grant seeker contact the Small Business Administration for help.

"Money, Money, Money" is a program apparently designed to sell a book written by Mr. Wayne Phillips. He claims the book will show people how they can get free money from the Government and private foundations for starting a business.

I have been in both Government and business a long time, and I think I was a pretty good businessman. I thought that I had heard about every creative financing program and scheme there is, but the promise of free money sounds too good to be true to me. The problem, of course, is that like the proverbial free lunch, free money is an illusion.

Now, I am not so naive as to think that somehow labels in and of themselves are a be all and end all when it comes to consumer protection. Ultimately, the public must take some responsibility for protecting itself. By holding this hearing, I am not suggesting that infomercials be labeled so restrictively as to render them useless as advertising tools.

However skeptical I, or other members of this subcommittee, may be about claims made in an infomercial, our purpose here today is to ask a much broader question: Doesn't the public have the right to know that they are being sold something, and whose responsibility is it to insure that commercial programs are labeled and truthful?

Before I go further, I would like to give my good friend, Representative Andy Ireland, and vice chairman of this subcommittee, the opportunity to make his opening statement. I also would like to extend my personal thanks to Mr. Steve Lynch, the minority staff director, for all his hard work and many contributions in putting this hearing together.

After Mr. Ireland has finished his remarks, we will take a closer look at portions from "Money, Money, Money." We will then hear from several States about both the effect of this advertisement, and about the kind of positive programs that these States do, in fact, have for those interested in starting a small business.

Following the States, the subcommittee has invited representatives of the Small Business Administration to discuss the impact on the SBA.

Finally, we will conclude by talking with both the Federal Communications Commission and the Federal Trade Commission, in an effort to learn how widespread is this sort of programming. We will also ask what responsibility station owners, producers, and the Federal Government have, or should have, for disclaimers and protecting the public.

I would like to thank all of the witnesses for taking time to be here today.

Mr. Ireland.

Mr. IRELAND. Thank you, Mr. Chairman. Let me commend you for convening this morning's meeting on what is really a vitally important topic for many people. Your statement was an excellent one. I would only add a few brief comments.

There are many of us within the Federal Government, in various State bureaucracies, and in the private sector, who devote a great deal of time and energy to help produce and promote a better economic environment for our Nation's entrepreneurs. Therefore, I was extremely angry when the contents of this one program, "Money, Money, Money," was brought to my attention. My anger grew when I actually saw the program and then later read some of the heart rending letters that were sent to various Federal and State agencies by people who had seen this program and were looking for grant money. Seemingly, a pot of gold at the end of a disappearing rainbow.

I am intrigued by this $33 billion in free grant money the Government allegedly has. I was interested to hear, For example, "You don't need a credit rating because you are not going to borrow money." Also, "You can file bankruptcy this morning and go out and get this money tomorrow afternoon."

I look forward to this morning's testimony on the general subject of infomercials and also on some specific issues raised in the particular program we are going to look at.

I also am interested in other programs which are similar to this. These programs cover many topics and several feature well-known entertainment personalities.

The question occurs, who owns these shows? It has come to my attention, for example, that one infomercial production company recently announced the public sale of its stock in order to raise over $9 million to purchase more television time. The company's stock prospectus stated that the product company purchases nationwide, on a monthly basis, between 25,000 and 30,000 half hour time slots. That is a lot of infomercials.

While I realize, due to ongoing investigations, we cannot discuss the individuals involved in the program we will see some of today, I am looking forward to discussing infomercials in general with the Federal Trade Commission and the Federal Communications Commission, two agencies that should, and certainly will, have an impact on this subject.

Before I conclude, Mr. Chairman, I will take a moment to talk about Graydon Forrer, who has just joined our staff, and who I think has done an excellent job, with Mr. Lynch, in putting all of this together. You and I are indeed fortunate to have a couple of people like them around.

Chairman SISISKY. You are right.

Mr. IRELAND. Thank you.

Chairman SISISKY. Thank you.

I would like to welcome Mr. Ron Wyden, who is also chairman of a small business subcommittee, who would like to make a statement, and, I might add, Mr. Wyden also serves on the Energy and Commerce Committee as well.

Mr. WYDEN. Thank you very much, Mr. Chairman. I want to commend you for undertaking this very, very important hearing and also commend the staff of the majority and the minority.

It is quite clear to me, with respect to this particular infomercial, entrepreneurs, what you are seeing is more than what you get; it is quite clear that it, in effect, is saying that there is free money available even though the Small Business Administration over the years has gone to great lengths to make it clear there is no free money available.

I would also like to make note of some press reports that concern me, Mr. Chairman. It is my understanding, in the middle 1980's the U.S. Department of Housing and Urban Development banned Mr. Phillips, who was involved in this "Money, Money, Money" promotion, for a year from obtaining FHA apartment loans in all but two counties of Maryland.

I note that a HUD official said with respect to the Phillips suspension—I quote here—"It was part of a pattern of unacceptable business practices."

I would hope, Mr. Chairman, that those excellent materials prepared by the staff could be put in the record, because I think they show some important background information with respect to Mr. Phillips' past activities.

The last point that I would want to mention, Mr. Chairman, is I sit on the Energy and Commerce Committee, and we are going to follow up as the committee that has jurisdiction over both the FTC and FCC. I am going to take what you gather at today's hearing to make sure that as we examine the activities of the FTC and FCC, we take steps in the days ahead to make sure that these promotions are properly labeled, while at the same time, protecting legitimate First Amendment interests.

I thank you for the chance to participate.

Chairman Sisisky. I thank the gentleman for his comments. As I said in my statement, we are not a subcommittee of jurisdiction. I am delighted that your committee would be interested in this subject.

Any further statements by any members?

Before we begin reviewing portions of the infomercial, I would like to state the subcommittee invited Mr. Phillips, Media Arts International of McLean, VA, the infomercial's producer, and Ms. Dian Tevares to attend this hearing and talk with the subcommittee about the manufacturing and production of infomercials. Each of the parties I just mentioned declined our invitation. It is unfortunate, because each could have helped the subcommittee by explaining the design of the infomercial we are about to examine.

More importantly, the subcommittee is also very interested in some of the claims made in the context of the broadcast. While the subcommittee realizes, for example, that Mr. Phillips' claim to be America's foremost expert on low-interest Government loans and grants is probably nothing more than hyperbole and common commercial puffing, the subcommittee was nonetheless interested in having Mr. Phillips walk us through some of the loan and grant programs he touts on the program and explain how the grant programs he claims are out there work.

I and the subcommittee staff have had extensive conversations with Mr. Phillips' attorney in the hope of encouraging Mr. Phillips to participate in this hearing.

At this point we can start the tape.

[Videotape is played.]

Chairman Sisisky. I would like to stop the tape and bring our first witness, Mr. William McConarty.

Would you step up to the table, please?

As you have just seen, Mr. Phillips mentions Mr. McConarty as the originator of his idea for how to get grant money from the Government. We asked Mr. McConarty to join us this morning because his version of his encounter with Mr. Phillips is quite different than Mr. Phillips', and it suggests the producers of this particular infomercial at least, were not concerned with the factual basis for some of the claims made in the context of the program, nor, it would seem, were the producers too concerned about verifying their information.

I think this is also illustrative of the problem. Were this program merely a talk show, then statements made on the program could be viewed as simple opinion or recollection. Here, however, we have an advertisement. The statements being made by Mr. Phillips lay a foundation for his assertions about the value and worth of the product he is selling.

Thus, this is more than mere puffery. I would suggest that there isn't a whole lot of difference between what occurs in this program and, for example, winding back an odometer on a used car.

Mr. McConarty, we welcome you here. If you would briefly describe in your own words how you found yourself mentioned in this advertisement.

TESTIMONY OF WILLIAM A. McCONARTY, PRESIDENT, AMAF INDUSTRIES, INC.

Mr. McCONARTY. Thank you, Mr. Chairman, for inviting me to the hearing. I want to thank Mr. Grady Forrer for his efforts in finding me and letting me know this hearing was taking place.

I have had some telephone calls and personal contacts from people who have heard this infomercial, as you call it, and I think at best, it is very misleading, especially with regard to my involvement. In just hearing the tape, Mr. Phillips says, in fact, that when I was on the plane trip I recognized Mr. Phillips. I never did recognize Mr. Phillips.

I met Mr. Phillips on a plane trip from Phoenix to Chicago, which took place on June 19, 1986, almost 3 years ago. I remember the flight very well, not because particularly of Mr. Phillips, but because it was one of my rare first class flights. As a Government contractor, we are usually not privileged to make first class flights. But on this particular occasion, there was a need for me to be in Phoenix to witness some testing that was taking place at one of our subcontractors and first class was the only way I could get there to fulfill the commitment.

After contact by Mr. Forrer, I looked up a copy of my expense account statements for the trip and was able to fix the date very exactly. As I recall, I had a window seat on this plane and Mr. Phillips sat next to me in the aisle seat. He had a large brief case and was looking through the brief case at some papers that I recognized as free handouts from many Government agencies and procurement offices.

As president of a U.S. Government contractor, I thought that he might be in a business that was similar to mine and inquired as to what his line of work was.

Mr. Phillips responded that he was writing a book on doing business with the Government and was collecting data.

I thought that was very interesting. I told him it was interesting to me since my company was a Government contractor, and I proceeded to tell him about AMAF and used one of our annual reports to illustrate what we do and who we are. We have published annual reports for at least 10 years, and there is a lot of data with regards to the company, and pictures of our products, and various information with regards to the history of the company, as well as some financial information there.

I also explained to him, I believe, that we were an 8(a) contractor, which is minority-owned contractor. I think it is relatively obvious then that I am not a majority stockholder of the company. I may have given him a pamphlet on the 8(a) contracting method, which we publish. We get a number of inquiries from people with regards to the 8(a) program and what it is, and we have published a small pamphlet that we just hand out, which is entitled, "A Tool For the Government Program Manager," to explain the 8(a) contracting method.

I don't remember having any discussion with Mr. Phillips about grants and certainly not the GSA grant that he mentioned in his infomercial. We have never had any GSA business and particularly no GSA grants.

My conversation with Mr. Phillips led me to suggest I would like to see his book before it was published. I thought such a book might be very informative. I think there is a need for this kind of information. I think that has probably been borne out by the number of phone calls that have been going to the SBA. I think there is a desire on the part of a lot of people out there to get this information.

I asked him if he would forward me a copy of his book before it was published. I would be very happy to comment on it and give him any input that might help him. After that, I never heard from him again. I also have never seen his book.

The next time I heard of Mr. Phillips was in the summer of 1988 when one of AMAF's employees had seen a television show, and my name and the company name was mentioned. He said the guy's name was Mr. Wayne Phillips and did I know Mr. Phillips?

Well, at that time, I wasn't sure exactly who Mr. Phillips was, but after several phone calls and other people telling me that they had heard this information and them describing it to me, it did finally dawn on me what had taken place. During the period from the summer of 1988 through late 1988, I received several phone calls from people who had seen the show and wanted to speak to me directly. The majority of the callers were women.

One call was from the State of Washington, or Oregon—I don't recall—and this woman had traced me to my home phone, which is not an unlisted phone. One young woman was from Baltimore, and had a new concept for an ice cream parlor, and she wanted to get a Government grant to get this ice cream parlor started.

Then we had several visitors who actually found the company and our location, and came to the door, and wanted to see me personally, and had commented on having seen the show. One older gentleman even said he bought Mr. Phillips' book. I heard that you could send the book back and get a refund. I think I will suggest that to him after the show.

Generally, the result of the calls and conversations I have had with people was really a feeling of sadness on my part. I have seen some excerpts from the show and Mr. Forrer also gave me a transcript of the entire dialogue. It is kind of sad that someone in my position could get drawn into what really, I think, is a marketing scam.

I am really not too proud to be called the originator of this thing. I think Mr. Phillips said I gave him the idea to do this. I really doubt whether that took place.

Thank you, Mr. Chairman.

[Mr. McConarty's statement may be found in the appendix.]

Chairman SISISKY. Thank you very much. Do you have any questions, Mr. Ireland?

Mr. IRELAND. Have you graduated in the 8(a) program?

Mr. MCCONARTY. We didn't graduate. Our fixed participation term was up about a year—well, April 18, 1988. So, we have been out of the 8(a) program now about 14 months.

Mr. **Ireland**. That is a great story of something that works.

Mr. **McConarty**. The 8(a) program is a terrific program; no question about that.

Chairman **Sisisky**. Mr. Wyden.

Mr. **Wyden**. Do you know anything about Mr. Phillips' background at the time you were having some of the problems I cited with respect to HUD and, if so, would that have influenced your feelings for him?

Mr. **McConarty**. I didn't learn of his background until my conversation with Mr. Forrer in the last 30 days.

Mr. **Wyden**. Would you have been involved with him if you had known, for example—again from the press reports—that he failed to show that he could pay outstanding construction bills and refused to show up at a HUD office to sign loan documents?

Mr. **McConarty**. I think involvement is probably a misleading word. I think one of the things we want to do here is try to be exact and not misleading. I feel that Mr. Phillips has used my name. I certainly don't feel that I was involved with him.

Mr. **Wyden**. I mean, would you have even had this discussion with him had you known about that?

Mr. **McConarty**. I think the discussion was rather harmless, especially in light of trying to convey information from one person to another. I have discussions many times on plane trips with many different kinds of people, and if someone wants to learn about what we do and who we are, I am more than happy, in my capacity as the president of the company, to try to convey information to them.

You never know where that might lead. It might actually lead to an order for one of our products.

Mr. **Wyden**. Thank you, Mr. Chairman.

Chairman **Sisisky**. Mr. Rhodes.

Mr. **Rhodes**. No, thank you, Mr. Chairman.

Chairman **Sisisky**. Mr. Lancaster.

Mr. **Lancaster**. Does, in fact, your company provide seminars or other ways to get out information to people on how to get free money from the Government?

Mr. **McConarty**. No; we do not. In fact, we have never had any Government loans of any kind. We did have one SBIR grant. I don't recall that I discussed that with Mr. Phillips.

Mr. **Lancaster**. Are you aware of programs that exist which give people money to start businesses?

Mr. **McConarty**. I wish there were. I am not aware of any.

Mr. **Lancaster**. So, when in this program he says that there are programs which give people money to start businesses, he is simply misstating what the facts are with regard to Government programs?

Mr. **McConarty**. I think that is very true.

Mr. **Lancaster**. Thank you.

Chairman **Sisisky**. Mrs. Meyers.

Mrs. **Meyers**. No questions.

Chairman **Sisisky**. Basically, you did not recognize Mr. Phillips when you met him. I think that claim was made in the infomercial?

Mr. **McConarty**. I certainly did not recognize him.

Chairman SISISKY. Did Mr. Phillips ever contact you to ask if he could mention your name or the name of your company in this advertisement?

Mr. McCONARTY. No; he did not.

Chairman SISISKY. The characterization that you owned AMAF industries is not correct?

Mr. McCONARTY. That is not correct. I am a minority stockholder in the company.

I think you told our staff that Mr. Phillips was carrying with him many of the documents and forms that he used in his book at the time he met you. Am I correct?

Mr. McCONARTY. I believe he did show me some documents. That was 3 years ago, and I would be hard pressed to tell you which documents they were, but I believe that is how the conversation took place, or began, in that he had documents that I recognized that were from other Government agencies.

Chairman SISISKY. I think you stated that your company does not have a contact with GSA as was said in the program?

Mr. McCONARTY. That, we do not. We never had any business with GSA.

Chairman SISISKY. Thank you very much. We appreciate your being here.

Mr. McCONARTY. Thank you, Mr. Chairman.

[Videotape is played.]

Chairman SISISKY. Has the subcommittee seen enough now? I think we can get the flavor of the show even if you haven't seen the transcript of it.

We would now like to call upon representatives of several States to talk about the effect that the "Money, Money, Money" infomercial had on their commerce departments. We felt that it was important to have these various States attend for several reasons:

First, the problems that they encountered are fairly universal in every State that this program plays; and second, in conversations with the subcommittee staff, each of the States voiced certain frustrations with their inability to communicate what their offices do for small business as compared to Mr. Phillips' ability to convince the public that there is a great amount of grant money available for starting small businesses.

We have asked the States here today to address how they met the demands that the public placed on their offices as a result of this infomercial. The public needs to understand what it can realistically expect from their State governments when seeking assistance for starting a new business.

Joining us today—and I would ask them to come forward—from the Virginia Department of Economic Development, the Director of the Small Business Office, Mr. David O'Donnell; and from the Michigan Department of Commerce, the Director of Small Business Services, Mr. Jeff Padden; and from the Illinois Department of Commerce, the Assistant Deputy Director of the Small Business Bureau, Mr. Jeff Mitchell.

Now, would you each please take a few minutes and summarize your written statements and describe for the subcommittee some of the problems that you have faced in your various departments as a result of this infomercial. Also, would you tell us how you have dealt with these problems, and would you tell us something about what your various States have to offer potential entrepreneurs.

Mr. **Ireland**. Mr. Chairman, before they start, I have a letter here from Bobby Brantly, Lieutenant Governor and Secretary of Commerce of the State of Florida, that I would like in the record.

Chairman **Sisisky**. Without objection, that will be part of the record.

I also have letters from several States and private foundations here that I would ask to be placed in the record.

[The letters may be found in the appendix.]

Chairman **Sisisky**. Gentlemen, we do appreciate your coming today and you may proceed. Welcome from my State of Virginia.

TESTIMONY OF DAVID V. O'DONNELL, DIRECTOR, SMALL BUSINESS AND FINANCIAL SERVICES, VIRGINIA DEPARTMENT OF ECONOMIC DEVELOPMENT

Mr. **O'Donnell**. Thank you, Mr. Chairman.

My name is David O'Donnell. I am director of the Office of Small Business and Financial Services for the Virginia Department of Economic Development.

The mission of our office is to help small business succeed and grow in Virginia, thereby creating jobs and contributing to the economic development of the Commonwealth. We want to help businesses grow in Virginia in order to make contributions to the economy. For instance, creating jobs and creating capital investment.

We implement this mission in the Small Business Office through a number of entities and programs, including a Small Business Advisory Board, Virginia Small Business Financing Authority, which has two fixed programs directed toward creating worthy small businesses, and a third program, which is a working capital loan guarantee program, which does help banks guarantee working capital loans that are almost credit worthy, but which the bank would not necessarily ordinarily make.

We have an ombudsman program, which helps small business people who have a problem with State government, and occasionally that does happen, even in Virginia. We have a small business development center program just getting started, with State and local funding, and we are in the process of applying to the Federal Government for a grant, I might say, under the SBA Small Business Development Center Program.

We also have a Rural Virginia Development Foundation, which is now putting together a rural small business loan financing program which will be private sector driven, and we are trying to raise private sector money to capitalize this. Soon we will be adding a Federal procurement assistance program.

So, we have a number of diverse programs aimed at helping small businesses in Virginia. One of the things that happens in our office is that people find us. We don't pretend to be a direct service agency. One can't serve the 120,000 small businessmen in Virginia from one central location. But people do find us, and when they do, we try to be helpful.

During 1988, we received an average of 160 telephone calls each month from clients seeking information and assistance on business problems.

We found that many clients ask for assistance in obtaining financing. However, experience shows that what they really need is not just money, but advice and assistance in developing a business plan. Only when their idea is properly packaged will they be able to estimate how much money they actually need and what individuals, institutions, or programs might be possible sources of that funding.

Our client response strategy is to point the client toward developing some kind of overall plan for his business so that he will have the best chance of being successful in obtaining money and successful in operating the business. We try to be both courteous and helpful, and clients have generally responded favorably. They sincerely want help and appreciate the advice and information we are able to provide.

In January of this year, something changed. The number of telephone inquiries doubled. Many of the callers were suspicious and difficult to deal with. Some of them actually demanded grant money to get them started in business, something we had never heard before. We informed them Virginia had programs providing services to small firms and through the finance authority, loans to credit worthy companies, but it did not have grants to start up businesses.

The client replies were often in the vein of, "They told me you would deny it, but I know you have grants you just don't want me to know about."

We soon learned that Mr. Wayne Phillips' program was being broadcast in the Richmond area. The show clearly created, in the minds of our clients, the impression that both the Federal Government and all State governments had grants which anyone could obtain to start any kind of business.

It also created the impression that both Federal and State governments tried to conceal the availability of such grants. I base these statements on my staff's conversations with a large number of callers who viewed the show, and after having viewed a portion of one of the shows myself.

The impression that Federal and State grants are generally available to anyone who wishes to start a business is simply not true.

The program in question has harmed small business clients in Virginia and adversely impacted the ability of the Virginia Department of Economic Development to deliver services to small business clients.

First, the program has made entrepreneurs less willing to accept help with the critical marketing, management, and other business aspects of their problem by taking advantage of the entrepreneur's natural preoccupation with funding and creating the unrealistic expectation of a free lunch.

Second, the program has undermined the confidence of small business clients in Virginia's government by telling them that the State will try to hide the availability of grants. It is difficult to help a client who does not trust you.

Third, the program has made it more difficult for our staff to establish a constructive and helpful relationship with our small business clients.

Fourth, the program has made it more difficult for our staff to respond effectively to client inquiries. We have been required to spend time developing new ways to respond to these problematic inquiries. We have been required to find new ways to handle these problematic inquiries. However, we have found that by spending additional time on each telephone call, sometimes double the amount of time we would normally spend with a client, we can often repair the damage and transform the problematic inquiry into a satisfied client.

Mr. Wayne Phillips' program has also caused problems in the Hampton Roads area of Virginia, according to John TenBraak, chairman of the SCORE Chapter 60 of the Hampton Roads Chamber of Commerce. SCORE—Senior Corps of Retired Executives—is a program sponsored by the Small Business Administration in which retired business executives volunteer to counsel and advise small business persons.

Mr. TenBraak told me last week that the inaccurate impressions created by the Wayne Phillips program so disrupted SCORE Chapter 60's counseling efforts that he met with the three broadcasters in the area that were airing the show. Two of the station managers agreed to drop the show according to Mr. TenBraak. The third asked if it was illegal to continue broadcasting and when told that it was not, he decided he would continue airing the show.

Thank you, Mr. Chairman, for this opportunity to report the difficulties caused by this program in Virginia. I hope the subcommittee will find our experiences a useful contribution to your work.

Chairman SISISKY. Thank you, Mr. O'Donnell.

[Mr. O'Donnell's statement may be found in the appendix.]

Chairman SISISKY. Mr. Padden.

TESTIMONY OF JEFFERY D. PADDEN, DIRECTOR, SMALL BUSINESS SERVICES, MICHIGAN DEPARTMENT OF COMMERCE

Mr. PADDEN. Thank you, Mr. Chairman, members.

I am pleased to bring the news from the Midwest. Unfortunately, our news regarding Mr. Phillips is pretty much the same as it is in Virginia.

I want to say a few words about Michigan's economic strategy and how the information disseminated by Mr. Phillips has had impact on it.

Throughout this decade, Michigan has worked aggressively to reshape its economic future. This has involved new strategies and new business services, but at its heart has been a new relationship between the public and private sectors.

This new relationship has required learning on both sides—to understand mutual agendas and to act on mutual interests. We have worked hard to put the traditional adversarial relationship behind us.

The impact, then, of the Wayne Phillips promotions has been twofold. It wastes our capacity to deliver effective services, and it damages the reputation that we have worked so hard to create.

In regard to the first, his program has generated thousands of calls to our Michigan business hotline in Lansing and our 50 business development centers across the State. Those 50 business development centers are operated jointly and jointly funded by the State and by the Small Business Development Center Program of the SBA, with which we have developed an excellent working relationship.

When these promotions hit the air, we found ourselves referring clients back and forth to one another trying to find out whether there was something we could do for these customers so that they would come away feeling satisfied by their contact with us.

The calls have been from people who were led to believe that there is an entitlement program to provide money to would-be entrepreneurs. Needless to say, we can't provide what these people expect. The time it takes to explain over, and over, and over again the problems about the Wayne Phillips advertising could be spent with clients who have a reasonably accurate picture of what we do.

What we do is very similar to what was described by the State of Virginia: Training and counseling, assistance in developing business plans, procurement assistance, a very good menu of services. We have thousands of satisfied customers who come to us, but Wayne Phillips' infomercial are not among them. We do not simply hand out money. In fact, in our own promotional efforts around our services, we have to be extraordinarily careful to avoid raising false expectations about the availability of money.

When we talk about the financial counseling that we do, we add a disclaimer that says we don't provide loans, but we will help customers figure out where to go for loans, and how to make an effective presentation to convince potential investors to do business with you.

Even with those kinds of disclaimers and caveats, we still get phone calls from folks asking for Government loans. We are simply not in that business.

The second impact though, is even more important. The relationship of mutual understanding and trust that has made possible the development of a constructive business/Government partnership in Michigan is threatened by misunderstanding and mistrust such as that which I believe is fostered by the Phillips commercials. Phillips tells his viewers that Government people will say that there are no free funding resources, so when they hear that from us, they are angered.

While some change their views as a result of getting the information from us, many leave unconvinced. This damages our credibility with potential customers. One example in particular was a woman business owner who called us after reading about the Small Business Innovation Research Program—SBIR. This program is a very important tool for developing new technologies in Michigan and across the country, especially those that are of interest to the Federal Government.

This woman ran a beauty shop and was very disappointed to find that she was not a good candidate for an SBIR grant. As taxpayers, the viewers of the Wayne Phillips commercials would be outraged if Government were, in fact, handing out money in the way he suggests. Perhaps he capitalizes on public cynicism about how the Government conducts business, the thinking being if the other person is on some Government gravy train, one would be a fool not to jump on board as well.

It is our job, though, in the public sector, to perform in a way that reduces cynicism and builds confidence. That job is complicated considerably when misleading information is widely disseminated.

Let me close by saying I applaud your effort to present a clearer picture of Mr. Phillips' activities to the American people. If nothing else, you can give those being duped the satisfaction of knowing that their claims against Mr. Phillips are being heard.

More importantly, you can make it less likely others will be misled. As a member of our business hotline staff told us, "The harm this has done to Michigan's hard-won reputation as a great place to start and operate a business will take time to heal, but the harm done to the morale of the potential entrepreneurs may be irreparable." I hope you will help find a way to stop that damage.

Thank you.

Chairman SISISKY. Thank you, Mr. Padden.

[Mr. Padden's statement may be found in the appendix.]

Chairman SISISKY. Mr. Mitchell.

TESTIMONY OF JEFF MITCHELL, ASSISTANT DEPUTY DIRECTOR, SMALL BUSINESS ASSISTANCE BUREAU, ILLINOIS DEPARTMENT OF COMMERCE

Mr. MITCHELL. Mr. Chairman, members of the subcommittee, staff, thank you for this opportunity to offer this testimony.

I am Jeff Mitchell, and I am the assistant deputy director of the Illinois Department of Commerce and Community Affairs' Small Business Assistance Bureau, and serve as the statewide director of the Small Business Development Center Program.

In support of the information provided, it is necessary to provide a brief overview of Illinois' small business assistance programs. This overview will illustrate the framework and the extent of services currently available to Illinois small businesses and entrepreneurs.

In 1985, Governor James R. Thompson created the Illinois Small Business Assistance Bureau within the Department of Commerce and Community Affairs, which serves as the State's lead economic development agency. The creation of the bureau brought together those assistance programs directed to small business under one common leadership structure.

These assistance programs are categorized into four major areas and are administratively managed under the umbrella of the Illinois Small Business Development Center [SBDC) Program, which is funded through U.S. Small Business Administration and State of Illinois.

The four areas include: Advocacy, business development, finance and energy assistance, and program evaluation. Additionally, assistance is provided in regulatory flexibility and legislative issues.

Attachment A presents the organizational structure of the bureau on a more detailed description of these program areas and services.

The major delivery arm for the assistance programs is what we refer to as the Illinois Business Development Center Network. Within this regional network, we have established:

Fifty-five small business development centers which provide general and technical consulting (counseling) services and training to existing small businesses and entrepreneurs.

Seventeen procurement assistance centers which provide highly specialized consulting services to existing small businesses wishing to enter the Government and corporate purchasing markets.

Thirteen technology commercialization centers which provide highly technical and specialized assistance to existing small businesses and entrepreneurs wishing to explore new technologies, products, and services.

Seventeen small business incubators which offer a supportive environment for new, startup businesses; and we are soon to designate our first SBDC International Trade Center and SBDC Small Business Innovation Research Center.

To the best of our recall, we received a flood of calls from individuals seeking free money and grants for starting a business, roughly, in mid October 1988. It became obvious that the pattern of calls indicated a form of marketing effort.

It took approximately 10 days or so for us to discover the source and to first view the television program. After viewing the program, we came to the conclusion that we should expect the calls to continue.

We frequently experience peak calls which result from a targeted marketing effort by our own staff. For example, in late April, Mark Enstrom of cur energy staff appeared on a 5-minute segment on WGN in Chicago and discussed the bureau's energy conservation interest writedown program. Within 1 week, this 5-minute appearance generated over 300 individual calls for information on the financing program.

I will note that this referred to a program that we do give free money. We will give up to $20,000 to prepay the interest rates on energy conservation improvements for small businesses. Funds for this come from the Exxon petroleum violation funds.

From October 1988, to March 1989, we received responses from over 6,000 individuals desiring grants for free money. This translates to approximately 1,200 calls a month, a 40-percent increase over our State fiscal year 1988 numbers. We were overwhelmed by the volume of calls.

In early December, we realized the calls were going to continue. We developed a five-page informational guide to respond to callers and individuals writing for help. We have made that available to you.

In addition to the need for the background paper, we found it necessary to adjust our hotline operations. We had to hire additional temporary staff to expand our operational hours and adjust our answering machine to handle all the additional calls. We had to bid out and print an additional 10,000 handbooks to meet unplanned demands.

A further impact occurred at the network level, in that many callers were referred to our small business development centers to provide entrepreneurial startup help. From the period evaluated, from June to September 1988, prior to the commercial airing, and from January through March of this year, our referrals into the network in terms of their previous assistance to individuals requesting startup financing rose 89 percent.

During the same period, our long-term counseling activity rose only 16 percent, which leads us to believe that a lot of those individuals referred there, didn't want to go further when they realized there was no free money.

Of tremendous importance is the fact that prior to the commercials, our counselors were spending an average of 10 hours per client helping them. Today, they are only spending 3 hours per client because of the demands placed upon them by the people calling for free money.

We share the integrity concerns that our counterparts do. We have been damaged, our reputation and integrity, not only that of Illinois and other States, but also of the Federal Government. Irreparable harm has been done on a short term. We find this unfortunate for those persons truly interested in starting a business in Illinois, and to our reputation and to the hard work that people involved in this program have strived so hard to develop and maintain over the past 4 years.

We do help minority- and women-owned businesses. We have a targeted specialized State program for that. It is a financial program, but it is not free. It is absolutely not free.

We offer working capital and fixed-asset financing, similar to the other States, rural development, and financing programs. We offer employee training incentives and international trade financing. We leverage Federal loans and loan guarantees, and we provide venture capital and our technical services.

I will be glad to speak further in terms of recommendations, and thank you for having us here. We commend you for what you are doing to help to make this a little more possible for us to deal with.

[Mr. Mitchell's statement may be found in the appendix.]

Chairman SISISKY. We thank all three of you for coming here today.

Without objection, your full statement will be made part of the record.

Mr. Ireland.

Mr. IRELAND. It is good to see the sincere, straightforward feeling that each of you have for performing a public service and the fact that each of you in your own way has mentioned the reputation of your State, and activities, and programs, and it is nice to know that throughout our great country we have people serving in public jobs that have that kind of feeling deep inside. It is quite refreshing.

As a clarification, Mr. O'Donnell, I can see the cynicism generated by anybody that calls in and doesn't get the right answer, and they think that the Federal or the State government is hiding this nugget that they are seeking.

I got the impression, perhaps erroneously, that there was something that you in the Phillips presentation or in the booklet somewhere, where he suggests that is true, that the State and Federal Government has this money but they are hiding it. Is that true? Is there anything in there where he indicates that the Governments might be hiding it?

Mr. O'DONNELL. Yes; in the show that I saw, and also my staff, in conversations with people calling in, where it became obvious that they were calling as a result of this program, there was a statement made to the effect that "ask for grant money, but expect them to say 'no,' because they want to hide it from you."

Mr. IRELAND. I wanted to have that on the record.

Chairman SISISKY. This creates ill-will.

Mr. IRELAND. Instantaneous ill-will, not even waiting for an occasion.

Thank you, Mr. Chairman.

Chairman SISISKY. Mr. Lancaster.

Mr. LANCASTER. Is there more than one show around, or is it the same show being rebroadcast?

Mr. MITCHELL. I have spent a couple of weeks from midnight to 3 a.m. and noticed that there were a couple of other programs that did offer some kind of book that provided——

Mr. LANCASTER. Does Wayne Phillips have more than one show?

Mr. MITCHELL. It has been run repeatedly. The only change I saw was the disclaimer at the bottom right after, I believe, SBA contacted the producers saying, "These are not Federal grants we are talking about; they are State grants," which made it even worse.

Mr. LANCASTER. In all three of your cases, did all callers actually refer to the show, or did you simply deduce from the increase in numbers of calls immediately following its airing that they were related to that program?

Mr. PADDEN. Some of both. Our hotline staff estimated that over the last several months, there have been 10 calls a day where the callers specifically identified the source of their information and another 10 to 20 calls a day where it was clearly related to this promotion but not mentioned explicitly.

Mr. O'DONNELL. On one occasion, we actually had a gentleman come in and bring the book with him.

Mr. LANCASTER. Did others refer to the show in their telephone calls? Are you aware from any data that your staff developed that it was frequently mentioned?

Mr. O'DONNELL. A variety of responses. One, many, many of the people would say, "I want my grant money," not mentioning the show directly, but that is a cue to our telephone people, who would then probe and more often than not, they traced it right back to the show.

Mr. MITCHELL. For the most part, they would not identify where they had the informational source, but in some cases they did.

Mr. LANCASTER. Thank you.

Chairman SISISKY. Mr. Rhodes.

Mr. RHODES. Thank you, Mr. Chairman.

Just a quick observation, Mr. Chairman, that at the very least, these three gentlemen now know what we experience when the National Rifle Association does our district.

As I understand it, this video basically promotes a book; is that correct? In other words, Mr. Phillips is selling a book. Have any or all of you actually seen the book?

Mr. MITCHELL. I have a copy. One of our staff in Chicago called the number and indicated that they used our information and asked for a free copy. We received a Xerox copy. I have it here with me.

Mr. RHODES. The thrust of the message of the book is there is money at the State level and the Federal level; all you have to do is get it.

Does it provide forms and that sort of thing? Exactly how extensive is the book itself?

Mr. MITCHELL. We reviewed only our section of the book referencing Illinois and outside of a timeliness factor, it is relatively accurate. We don't have that great a problem with the book because I think if anyone read the book, they would not come away with the same opinion they would get from watching the program.

The book doesn't say you could get this free money. It lists programs, but it doesn't say there is free money in Illinois. So, they had to get that from somewhere else.

Mr. O'DONNELL. We ordered a copy of the book on our Department of Economic Development stationery, and they didn't send it to us. But a member of my staff has seen the book, and reports that it is a sort of a factual listing as far as the VA programs are concerned of what we really have available.

The book is not the problem. It is the way in which the program creates an unrealistic expectation.

Mr. RHODES. Has our staff seen the book itself?

Chairman SISISKY. I might tell my colleague that the subcommittee is not interested in the book. Mr. Phillips has first amendment rights. He really can print anything he wants, and we have no objection to exercise of his right to free speech. We are really after the infomercial aspects of how Mr. Phillips promotes his book. As I understand it, the book duplicates free Government forms and things that a person has to fill out to get a grant or loan.

Mr. RHODES. So, the book itself is reasonably accurate and the book itself then is probably not what is represented in the tape?

Mr. PADDEN. It is as if you saw a television commercial that said, "Here is a car that will go 150 miles an hour," and when you buy it, it is just a regular car. There is nothing special about the forms in the book.

Mr. LANCASTER. It is like the Isuzu commercial.

Chairman SISISKY. The inquiry of this hearing is not the book. It is important that everybody understand that.

Any further questions?

I want to thank each and every one of you for taking your time and joining us today. I am really impressed by the fine work that you are doing in your States to help people get accurate information about starting a small business and how to seek financial assistance. We appreciate you being here today and understand your dilemma and problems.

Mr. IRELAND. I would observe, Mr. Chairman, that in our discussion of the book, we ought not lose sight of the fact that the end result—the book is the pay-off regardless of what it says. Let's, for the sake of argument, say it is a 100-percent-accurate listing of things which are available in your States and the Federal Government and everything else.

The fact is that accurate information is available at your States and the Federal Government, but the real clincher is that somebody pays money to put these infomercials on the air. The return is the sale of that book. That is how the person makes a return, however extrapolate, however many millions of dollars that you can figure out that it is.

I think that gets at the heart of the process that the information that they are getting is information that is available in your States. The information is inaccurate in the sense that in the commercial, it was described as information that would get free money.

Mr. Chairman, I have another meeting. With your permission, as the process unfolds here, our minority staff director might have a question or two if I don't get back.

Chairman SISISKY. Certainly. More than happy.

Thank you very much, gentlemen.

Chairman SISISKY. We have invited representatives of the SBA to join us today in order to discuss the problems they face as a result of the "Money, Money, Money" program.

Would they come forward, please.

Mr. Swain. We welcome you again, Mr. Swain. We are delighted to have you here, and you may proceed as you will.

TESTIMONY OF FRANK S. SWAIN, CHIEF COUNSEL FOR ADVOCACY, U.S. SMALL BUSINESS ADMINISTRATION

Mr. SWAIN. Mr. Chairman, I have a statement for the record.

Chairman SISISKY. Without objection, it will be included in the record.

Mr. SWAIN. I will be happy to attempt to summarize.

It is a pleasure to appear before you and members of the subcommittee. I congratulate your subcommittee for taking a look at this program in particular, but also the more general issue of the role that infomercials play.

The SBA's experience with infomercials involves most directly, of course, the program that has been discussed so much already this morning, the paid advertisement called "Money, Money, Money." The program purports to be a talk show. It is actually a paid advertisement promoting a book entitled, "How to Start Your Business By Doing Business with the Government."

The program has been shown on television throughout the country. It continually mentions small business, women-owned business, and minority-owned business. It creates the inference that these free moneys are Government grants available for small business. The viewers then make a logical connection that the place to call to get their free money is often the SBA.

Viewers have also written or called other Government agencies in such numbers that these agencies have contacted SBA to see what can be done to correct the situation, including the Department of Education, the Department of Commerce, the General Services Administration, and several State agencies.

Our agency has received thousands of calls and letters from viewers of "Money, Money, Money" and we have been flooded with calls, I would say, from viewers who have seen the program.

The fact is, of course, that no free money exists at the SBA or, to the best of our knowledge, at any other Federal agency.

I would like to outline our experience with it. As you know, the Small Business Administration's office of advocacy started 6½ years ago as an answer desk, which is a toll-free hotline, in order to allow the business owner, regardless of State, to have his or her questions about business, or Government programs, or Government policies answered as directly and efficiently as possible. We have had that in existence since 1982.

It has been, I think, quite popular. The number of calls have grown through the years. We started out with about 40,000 calls a year. This current year, going at the rate that we are now, we will be receiving and handling nearly 300,000 calls from around the country.

That is just one part of the SBA. That doesn't count calls that come in directly to other parts of the SBA and the district offices.

The agency became aware of the "Money, Money, Money" program when SBA offices in early to mid-October, as well as the office of advocacy, began receiving a large number of calls inquiring about free money or grants that were available. In October, the number of calls at the answer desk over the previous year was up 70 percent, and it is up much more than that in the meantime.

We have installed a computer to handle an additional number of calls so one could say that the additional number of calls are to some degree a result of our extended capacity. Before we installed the computer, the number of calls that we had were up 70 percent, and, based on our responses and our handling of the calls, I think it is a conservative estimate to suggest that of the calls that come into our SBA answer desk, at least 40 to 50 percent have been generated by this infomercial since mid-October.

Those totals seem to be declining somewhat now. Maybe it is because the commercial is not running so much; maybe it is because people have seen it; maybe it is because there is a degree of disclaimer, but in the heavy months of November, December, and January, we were getting, throughout the agency, a lot of calls.

For example, the Phoenix district office received an average of 275 calls per day from individuals requesting grants to start their own businesses. That office now conducts two loan clinics per month in Phoenix, one per month in Tucson, and the score offices conduct two per month.

The office reports that 80 percent of the attendees to their clinics walk out of the clinics once they learn there is no free money. That is obviously reflecting what the representatives from the State agency just said. That is a real tragedy, because I think the potential business owner is used to thinking of the Government, at whatever level as at the very least, not sympathetic and at the most, as their opponent, and when they come in expecting they will get something and find they can't, that exacerbates a bad situation.

We have heard from other sources. Clearly, the infomercial as a marketing technique has certainly been effective. The subcommittee has heard excerpts from the tapes.

I will try to state for the record, to our knowledge there are no grant programs at the SBA that are free. The SBA has grant programs, notably the SBIR Program.

As this subcommittee knows very well, having legislated the SBIR Program in 1982, that program is a highly competitive program involving technology proposals. It goes through a competitive process, and when you get your grant, you must deliver a technology or a product. In my opinion, that is not free money.

In our lending area, we have a variety of lending programs—direct, guaranteed, disaster loans—every one of them charges interest, and I don't think that people who have gotten those loans would regard them as low-interest loans.

Mr. Phillips identifies on the tape $33 billion available for small business. Our best guess, and it must be a guess because, of course, he doesn't explain it, but for the last several years, the Federal Government has spent about $33 billion directly in purchasing goods and services from small business.

We purchase about $200 billion a year in the Government from the business community and 16 percent goes out directly as small business purchases. That is my guess as to where that figure might have been picked up. That is a contract situation. A company that is awarded some part of that $33 billion doesn't get the money until they provide a service or a good to the Government.

The issue of improving access to Federal contracts for small business is a very important issue, and, certainly, I am not sure that in Mr. Phillips' tape he clarifies some of the problems that are with that current system.

The tape has a patina of credibility because it is in a talk-show format. There is no sense that it is a paid format. Even when you have a newspaper ad or a magazine supplement, there will be a second on small business and around the border show how it will say, "This is a special advertising section paid for by such and such organization."

The people who were calling us, generally speaking, had no comprehension that this was a book promotion, so, therefore, when we responded that either we didn't have the money or there was a lot more to the story than what they heard on the tape, their response to us in some cases has been shock and, in a few cases, has been hostile.

I had a woman catch me in the office late. I picked up the phone, and she asked about getting some money. I said, "Have you contacted the local district office?" She had, and was not satisfied with the result. I said, "We don't do business that way." She said, "Wait a minute. I have an executive order issued in May 1979, and I have studied it, and it says the chief counsel for advocacy shall staff the office." She was loaded for bear.

The tape glibly mentions a little bit here and there, and I think doesn't provide information as much as it provides temptation to misinform.

Chairman Sisisky. I am surprised you didn't do like everybody else does, tell them to call their Congressman.

Mr. Swain. I have had a few Congressmen tell them to call me. Turn about is fair play.

In your letter of invitation, you asked whether existing disclaimers are sufficient to allay our concerns about the misleading nature of "Money, Money, Money." The point is, we don't know what disclaimers exist. We have received anecdotal information, and in some markets a disclaimer in the form of a crawler appears. A visual message crawls across the screen at some point in the show.

We have never heard from Mr. Phillips or the producer's representatives as to whether that has been done on a national or local basis. One of the people in my office saw the program broadcast here over the weekend and could not read the crawler. It apparently ran across the screen rather than crawled across the screen. We don't know if there is a disclaimer or how widely it is running.

We continue to think that the program is seriously misleading, and we have certainly communicated that directly to Mr. Phillips.

Three points, I think in particular, are important to mention. I think the public needs to be aware that the program is a commercial and not a talk show.

Second, the public must be aware that there is no Federal grant program for starting a business, and specifically there is no Federal grant program within the SBA for starting a business. The issue of grants has to be clearly distinguished from loans and Government contracts. It should be clear that loans must be paid back and that Government contracts require performance by the business receiving the contract.

There are, of course, many services available through the SBA. A number of them were alluded to by the witnesses from the State agencies.

We like to answer questions. We wouldn't have established our answer desk if we didn't think that it was the responsibility of the Federal Government to deal as directly and openly with small business owners and potential small business owners as we possibly could do and get as much information out as we could.

The infomercial here has had the effect of really, I think, misleading a lot of people, sending out a lot of information that is so sketchy that the conclusions that the normal viewer draws are erroneous conclusions. It has not helped tell the story of what State or Federal Governments have to assist entrepreneurs, and it is unfortunate in that respect, Mr. Chairman.

Chairman SISISKY. Thank you.

[Mr. Swain's statement, with attachments, may be found in the appendix.]

Chairman SISISKY. You talked about the number of calls that SBA had. Under the Freedom of Information Act, someone, I believe, requested the number of calls SBA took as a result of this program, and, obviously, something had happened so that you did not record all of those calls.

Mr. SWAIN. We record the total number of calls that we receive, so if you ask for a given week or a given month, we can tell you the total number of calls that have come in. We do not record specifically what the nature is of each of those individual calls.

We have, over the past few weeks, been trying to get a fairly exact count as to the calls that we answer by voice as opposed to by computer tape, what number of calls are currently coming in concerning the book promotion, and that is in the range of 10 to 20 percent, certainly less than it was back in October when we first started getting the calls stimulated by "Money, Money, Money" promotion.

One of the frustrations is that, especially when the calls about the book first came in, we had no idea why these calls were coming in. People, if they told us, would say, "I saw something about it on TV."

I would say there was a 2- to 4-week period in which we were finally able to track down that there was this television show, and finally getting a tape of the show. It was a while before we realized where the problem had originated.

Chairman SISISKY. On another issue, Mr. Swain, have you instructed your field offices in any way on how to answer the questions raised about this program?

Mr. SWAIN. The office of public communications of the SBA sent a notice to all SBA field offices—I believe it was dated November 10, somewhere in that range—indicating that the field offices should be cognizant that there was this promotion airing on television stations, and that the promotion said that there was free Government money available, and that if callers referred to the program, the field offices should make every attempt to give the caller the accurate information as to what the SBA programs were.

I think that was our only nationwide directive to all field offices.

Chairman SISISKY. You didn't use the word "fraud"?

Mr. SWAIN. I don't think so. I will look it up. I am pretty sure we did not use that word.

Chairman SISISKY. You notified your field offices, but what else did you do?

You corresponded with the producers of the show, am I correct?

Mr. SWAIN. That is right, Mr. Chairman. We corresponded with the producers of the show. We got the video tape in early November from the producers of the show. We actually called Mr. Phillips directly in mid-October, and received neither the book nor the video tape from him. So, when we discovered who the producers were or the syndicated group that puts this on, we got the tape from them.

After reviewing the tape in early November, we issued our directive to the field. My notes indicate that was on November 10.

We continued to stay in contact with the producers, and, late in November, we wrote directly to Mr. Phillips. We advised him that we thought the tape was seriously misleading. As a result of these contacts, we heard back from the producers, or from their representatives, in early to mid-December.

In terms of the public, the only other thing that we did on a nationwide basis was on December 9, again as a result of a continual drum beat of calls and inquiries, including a lot of press calls through the month of November, we issued a nationwide press release. The release focused on the fact that the SBA did not have free money to give out and included a brief recapitulation of our programs, despite the fact that there was a national television program out there suggesting that the Government did have free money.

Chairman SISISKY. When did you contact the Federal Trade Commission?

Mr. SWAIN. In late November.

Chairman SISISKY. Because, if you had to do it over again, that, basically, is what you should have done right from the start. The

FTC is the agency, as I understand it, that can do something about programming like this. The SBA has no standing to say "take it off the air."

Mr. SWAIN. We have no legal authority to order anybody to advertise anything differently or to do anything different as far as the networks, the radio or television networks are concerned. That is perfectly clear.

We heard the most about the tape of any Federal agency, since obviously the focus of the tape is how to get money from the Government to start your business. To that extent, we were, and continue to be, very concerned about the content of the tape.

But in terms of who can force any particular legal remedy, it is somewhere within the jurisdiction of the Federal Trade Commission; yes.

Chairman SISISKY. Mr. Lancaster.

Mr. LANCASTER. Mr. Swain, are you aware of any Government grant program at any level which gives free money to individuals to start businesses?

Mr. SWAIN. I am aware, Congressman, of no Federal grant program at the Federal level that gives free money to start businesses.

Quite coincidentally, our office, not intending to be competitive with Mr. Phillips, but our office has just released a 400-page directory of all programs that State governments have to assist business. I cannot unequivocally say that on some page of this book there may not be some State that has a free grant program, but I think the States represented at this hearing are typical of the approaches States take, and neither the State nor the Federal Government can afford to give free money to anybody at this point.

Mr. LANCASTER. What is the story of these executive orders which were cited in the promotional?

Mr. SWAIN. The two executive orders cited were an executive order issued by President Nixon in 1969 or 1970 relating to minority business and an executive order by President Carter in 1979 relating to women's business ownership.

Each order calls for the Federal Government to do some special studies, and I believe the term of art would be, give special consideration to minorities and to women in carrying out Federal programs.

The word special consideration has different interpretations depending on the agencies involved. But no agency, including the Small Business Administration, has special loan programs or special grant programs available only to minorities or women.

Mr. LANCASTER. Do either of these executive orders mention or even hint at the creation of grant programs which would provide free money to minority or women businesses?

Mr. SWAIN. I don't believe so, Mr. Lancaster, but if you will allow me to read it closely, I will give you a written response, if I come to a different conclusion. But, I don't believe they do; no.

Mr. LANCASTER. Has anyone on your staff reviewed the book that Mr. Phillips produced?

Mr. SWAIN. I wouldn't say that we have reviewed it. We finally got a copy of it and are cognizant of what is in the book; yes.

Mr. LANCASTER. Are you aware of inaccuracies in the book or would you agree with the previous witnesses that the book is probably accurate, that it is the promotional that is misleading and inaccurate?

Mr. SWAIN. I would agree with the chairman's statement that our focus has been the promotion. We received a copy of the book because the promotion referred to the book, and we were curious what was in the book, but it was never our intention to review, then pass judgment on the book.

I was looking at the best seller list. I see at the top there is a book about how to start a business. I haven't seen it. I don't know what it says about Government programs.

Mr. LANCASTER. I assume it is not Mr. Phillips' book?

Mr. SWAIN. No; it is not. So, our concern has not been the book. Some people, when they write books, call and ask us ahead of time for information or they will send us a copy of the text and say, "Are we right?" We had no such contacts with Mr. Phillips, and the first time we learned about the book is when we heard about the television program.

Mr. LANCASTER. I am concerned that you waited some time after you were aware that there was a grossly misleading commercial being broadcast across the country, that you took so long to contact the FTC, the Federal agency that has jurisdiction over such advertising.

What do you see your role as an advocate for small business in identifying, or once you know of, misleading information being promulgated as it relates to small business programs and getting those off the air by contacting the FTC?

Mr. SWAIN. If I could back up for a second, Congressman. My information is that the producer forwarded the videotape to the SBA on November 7. If you ask me, when did we first realize we had a problem, I would have to say sometime in October as the calls kept increasing. There have been, in the past, blips where we will have a lot of calls for a few days or a week because a magazine has printed our 800 number, so, to have a large number of calls over a few days is not in and of itself unusual.

By the time we realized that this was increasing over several weeks and then we realized what the source of it was, it was on November 7. That is when the producers forwarded us the tape. We referred the matter to the FTC on November 23. That is approximately 2 weeks.

During that time we reviewed the tape, and we sent directives to the field. I think that maybe we should have done it the day after we got the tape, but we were referring this to another agency on a law enforcement matter, and we wanted to make sure that we were doing the right thing.

Mr. LANCASTER. Do you have any sort of instructions or guidance on how you deal with clients such as the ones you have investigated, or is this sort of an ad hoc kind of thing?

Mr. SWAIN. To my knowledge, and I think the knowledge of people that I have been working with on this issue at the SBA, this is the first time that we have had a series of complaints of this magnitude. In the past there have been occasional instances where people may have oversold Government programs or something like that, but I can't think of anything of this nature that we have come up on before.

So, in response to your question, do we have guidelines on how we handle it? No; this is the first time we have had such a major problem.

Mr. **Lancaster**. In anticipation that P.T. Barnum's old saw is as viable today as it was when he said it, do you think you ought to set up some formalized process that you would go through as you get further complaints of this nature, so that you don't wait 2 weeks in the future to take appropriate action to call this to the attention of the agency of jurisdiction?

Mr. **Swain**. I think that we have learned, Congressman, that in the electronic age, communication is a lot more rapid, and more rapidly effective, than perhaps we are used to. If we have particularly misleading information spread by electronic means, we may have to review it a lot more quickly and get it to other Federal agencies a lot more quickly to limit the damage.

This experience has informed us as these things may come up in the future, which I hope they won't.

Mr. **Lancaster**. I would urge you to establish a procedure so that in the future when you get a complaint, that you can act more quickly in getting that complaint to the FTC so that they might take appropriate action.

Apparently, it is their procedure at the present time to handle these cases only on a case-by-case basis rather than in a more general, generic way. That makes it even more important that as cases come up, they be immediately called to their attention.

I hope that you will establish some sort of mechanism within the SBA to immediately file those complaints with the FTC as soon as you know about them, let them do the investigating, not you, and protect our small businesses. I see that as your role.

If we allow this to drag on for 6 to 8 weeks, you are damaging the State agencies and yourself, and you are bringing into disrepute, agencies that are designed to help small business. I hope that we can avoid that in the future.

Chairman **Sisisky**. Mr. Lynch.

Mr. **Lynch**. Thank you, Mr. Chairman.

Mr. Swain, the contact with the FTC was done in writing, I assume?

Mr. **Swain**. Yes, sir.

Mr. **Lynch**. Can we have a copy of that letter?

Mr. **Swain**. Yes.

Mr. **Lynch**. Do you consider that letter to be a formal complaint or are you just informing them of the situation?

Mr. **Swain**. If you will allow me to refer to the letter here. We sent the tape and the book, I believe, to the Commission, and with our concern that from our perspective, the tape is misleading. You can have the letter. I didn't write the letter. I am not sure how we characterized it, as a formal complaint or what. We let them know there was a problem.

Mr. **Lynch**. Mr. Phillips' attorney raised an issue with us in writing on two occasions and delivered one of the documents he received through the Freedom of Information request. He has asserted that members of your staff basically went out and solicited various people in the media on this issue. In other words, they were not responding to media calls or letters; in some instances, they solicited the media.

He gave us a letter, some of it was x'd out because of Freedom of Information where it said you ought to take a look at this guy.

Do you consider that appropriate for someone in that role as opposed to just responding when the media calls you?

Mr. SWAIN. I think that question is best answered in terms of Mr. Lancaster's comments a minute ago. The SBA has no legal authority to shut down anybody's book or to shut down anybody's TV show. We have only hortatory authority, only authority to make complaints and to try to set the record straight.

We referred the matter to the Federal Trade Commission on November 23. What they choose to do with this particular matter as an enforcement matter is up to them. Once we refer it to them, we don't necessarily know anything else about it because it is a matter of legal enforcement.

Having referred it to the FTC is no guarantee that the FTC will take action within a week, a month, a year. We referred it to the proper legal channels, but we continue to have the tape out there. We continue to have a lot of calls of people clearly upset by the information that was getting out.

So, I think the tape is irresponsible, and I continue to think that it is the proper responsibility of the Federal Government to try to get the most accurate information out as effectively as possible.

Yes; we didn't just sit back and wait for calls in every instance. We let some people know that there were some problems out there.

Mr. LYNCH. Thank you, Mr. Chairman.

Mr. LANCASTER. Mr. Chairman.

First, I applaud your efforts to call this to the attention of the news media, because I think that should be your role, and I hope that it will not be taken as a criticism of this subcommittee that you complained to the news people. I think you should call to their attention that this inaccurate information is out there.

Second, if you establish a procedure to deal with this in the future, would you please forward that to this subcommittee for inclusion in the record, and if you decide against establishing a procedure, write to us and let us know that you have made that decision.

Mr. SWAIN. I will certainly do that.

Chairman SISISKY. Thank you very much for your testimony today.

Our final panel today is made up of representatives from the Federal Communications Commission and the Federal Trade Commission. We have invited these representatives to join us in the hope of moving beyond the "Money, Money, Money" program to examine more broadly the growth and impact of infomercials.

Joining us from the FCC is Mr. William Johnson, Deputy Bureau Chief for the Mass Media Bureau, and joining us from the FTC is William MacLeod, director of the Consumer Affairs Bureau of the FTC.

Gentlemen, we appreciate your attendance today. I understand you have an appointment, Mr. MacLeod. Please go ahead and testify, and we will ask you questions first.

TESTIMONY OF WILLIAM MacLEOD, DIRECTOR, BUREAU OF CONSUMER PROTECTION, FEDERAL TRADE COMMISSION

Mr. MacLeod. Thank you, Mr. Chairman. I appreciate your attention to my scheduling problems.

Mr. Chairman and members of the subcommittee, my name is William MacLeod, and I am the director of the Bureau for Consumer Protection at the FTC, and appreciate the opportunity to appear before you today on behalf of the Federal Trade Commission to discuss the FTC's role in the regulation of television advertising, and particularly program-length ads.

A brief background on the Commission's legal basis for proceeding: While the Commission has been given enforcement authority with a wide variety of statutes over the years, our principal authority remains section 5 of the Federal Trade Commission Act, which declares that unfair or deceptive ads or practices in or affecting commerce are unlawful.

Traditionally, we have exercised our authority in the advertising arena through our section 5 power to regulate deceptive acts and practices, and, indeed, deception is a particularly troublesome form of the conduct that we address.

It is harmful to consumers. It undermines the rational functioning of the marketplace, and the Commission's approach to dealing with this problem in more detail is explained in my written statement.

Let me go directly to program-length commercials. These are commercials which, unlike traditional broadcast ads of 60 seconds or less, may run for 30 minutes or more. A number of these ads appear in talk show or investigative report formats, and while we do not have direct quantitative data on the extent to which program-length commercials are being aired on TV today, we have seen news reports which I believe this subcommittee has as well, estimating that the volume of such long-form advertising will increase by 20 percent this year, accounting for an estimated $125 million to $160 million worth of air time.

These estimates indicate that the volume of program-length advertising is substantial and growing. However, it is probably useful to put it in the context of the commercial advertising. Generally, program-length ads account for less than 1 percent of the $19 billion that was spent on broadcast advertising last year.

We have taken three public enforcement actions recently involving program-length advertising. The first involved program-length advertising for sunglasses. In that case, the Commission alleged that the advertisement had falsely claimed that a 30-minute ad called "Consumer Challenge" was an independent consumer program such as "60 Minutes" or "20/20."

In addition, the Commission alleged that the ad falsely claimed that the producers and reporters appearing on "Consumer Challenge" had conducted an independent and objective investigation of the sunglasses being promoted.

An administrative complaint and order settling that case was announced on November 1, 1988. The Commission's order in that case generally prohibits future misrepresentations by the company that any advertisement is an independent consumer or news program.

In addition, we have required that the company disclose clearly and prominently that any program-length advertisement is indeed an advertisement or a commercial.

We have also filed in Federal District Court, actions challenging representations made in widely distributed program-length commercials for two hair loss products. The Commission alleged these ads contains false and unsubstantiated claims, and in one of the cases, we introduced evidence that the format of the commercial enhanced the deceptiveness of the underlying claims that we were challenging.

However, the goal of the Commission's challenge in both cases is to obtain a Federal court order enjoining the advertisements, stopping these claims which we believe to be deceptive, and to obtain redress for consumer injury caused by the alleged false and unsubstantiated claims concerning the effectiveness of the products.

While these cases illustrate the potential deceptive use of program-length formats, there are clearly types of program-length advertisements whose formats are not deceptive. For example, we have all seen home-shopping type programs that appear in a format that it is probably clear to everybody that these things are commercials for the products being pitched.

One of the new developments we have seen in the industry is the kind of show put on by real estate companies, the so-called "Parade of Homes" that we see on Sunday mornings in which it is pretty clear to consumers that these are commercials, and they are probably commercials that are valued.

What we try to do at the Federal Trade Commission is to make sure that what is being claimed in these commercials—in terms of underlying claims and in terms of format—is indeed what the commercials represent themselves to be and are delivering what they represent their sponsors to deliver. In such cases, the question is whether the advertising makes an implied claim that is material to viewers watching, that this is indeed a product or a format that is what it represents to be.

If the particular advertising format is deceptive, we have the authority to require qualifying disclosures, and, at the present time, we have some investigations under way which, as the subcommittee has already acknowledged, I am at somewhat of a handicap in discussing today.

I am not able to discuss the investigations that we have ongoing. But I can tell you that in selecting our targets for enforcement, we are focusing on those program-length commercials making the clearest representations that they are other than what they represent themselves to be. Especially, we are interested in those programs that have underlying claims that are claims that are injurious to consumers.

I should emphasize that in correcting these problems, it is not simply a format question. In correcting the problems of deception in these ads, we want to make sure that we also address the underlying claims, that these claims are representing products that do not deliver what is promised, and that is part of our authority and effort as well.

I should finally say that in our increasing activity on a case-by-case basis, what we are sending to the industry—and I appreciate the subcommittee's interest and the chairman's interest in this matter—is a message that when you advertise deceptively in commercials of whatever length, you are going to be hearing from the Federal Trade Commission, and you can find yourself in court with the Federal Trade Commission on the other side.

I hope that this message will be sufficient by itself to send to the rest of the industry if someone is contemplating making deceptive advertising, that they could have the Federal Trade Commission to contend with.

Should this case-by-case enforcement not bring the proper recognition from the industry that we expect to see, we can look into other avenues that the subcommittee has suggested that includes rulemaking or guidelines, but I would like to take this opportunity to deliver the message to the industry that the Federal Trade Commission will not countenance false and deceptive advertising, no matter what the format. Thank you, Mr. Chairman.

[Mr. MacLeod's statement may be found in the appendix.]

Chairman SISISKY. Thank you. We understand that because of the FTC's investigation, we can't ask specifically about Mr. Phillips or his program. Before I ask my other colleagues if they have any questions, you said you examine complaints on a case-by-case basis. Do you advise the producers of the show or the stations that these shows are being broadcast from that they are being investigated?

Mr. MACLEOD. I think that this is an activity that everybody involved in these programmings should take note. What we have done so far has been to go after the sponsors or the producers of these programs, people actually producing the products, making the claims. These are problems that I think the entire industry involved in the distribution chain can certainly address. As you will hear shortly, I am sure, from the Federal Communications Commission, there are roles as well for the television stations to play in this.

What we have focused on so far has been those companies actually selling the products and advertising those products in these formats, and these are the companies that we have brought into court or into the Federal Trade Commission.

Chairman SISISKY. Mr. Lancaster.

Mr. LANCASTER. I realize that we can't get into particulars of the investigation, but I assume that we can get into the process.

When did you first receive a complaint with regard to "Money, Money, Money"?

Mr. MACLEOD. Even on the process, I am not at liberty to discuss publicly the nature or the course of any investigation we might be undertaking. However, I can offer for you at any time to brief the subcommittee privately, and would be glad to do so.

But if I were to begin describing a process of an investigation that I, under my own rules, am not even allowed to acknowledge exists, it would be difficult for me to begin to maintain that nonpublic nature of the investigation that we may be undertaking.

Mr. LANCASTER. Can you tell me whether "Money, Money, Money" is still running?

Mr. MACLEOD. I do not have direct information on that right now. Let me put it this way: It is difficult for me to respond in particular to the status of the "Money, Money, Money" commercials.

I think that you probably can discover without too much difficulty the current air status of these programs, and I would not be surprised if you were to discover that they are aired now and then, but I cannot confirm that for you right now.

Mr. LANCASTER. You have indicated that you are reviewing cases similar to this on a case-by-case basis. Is it not legally possible for you to more broadly approach misleading advertising, or must it always be on a case-by-case basis?

Mr. MACLEOD. It need not always be on a case-by-case basis, but we have options that we can consider, and we have found in the past that when Commission action has definitely laid out the rules of conduct that need to be followed and the Commission has brought to justice those who have violated section 5 of the Federal Trade Commission Act, that an industry will sit up and take notice.

We have the option of moving on a broader front, but I would not use that option in lieu of the enforcement that we are undertaking right now. Normally, we will wait to see whether the enforcement we are undertaking will get the message across that we could also do in the form of guides and regulations.

Mr. LANCASTER. Mr. Chairman, I find the limitations under which we are operating frustrating and very unsatisfactory. This subcommittee and the committee of jurisdiction of Energy and Commerce need straight answers.

I frankly think that if "Money, Money, Money" is still running, you, the FTC, are not doing your job. If the infomercials that we are talking about here are a practice broader than just this particular program, you need to address this topic more broadly. I believe that this kind of hucksterism should be stopped.

The SBA sent you their letter on November 23. It is now May 1, 1989, and you have still not determined that what we saw on television this morning is inaccurate, misleading, and deceptive, and should be off the air, then you aren't doing your job.

In my opinion, you should take immediate action to get a court order to get this kind of stuff off the air. If you have taken this long to investigate a 30-minute program and have still not taken definitive action, then I believe the FTC needs to come before this subcommittee in a closed format and let's talk about this in a way that we can get answers.

Mr. Chairman, I hope we get approval from the FTC to have Mr. MacLeod or someone else meet with this subcommittee in a closed format so we can get some answers and see why it has taken from November to May to do something about this program and also to talk with the FTC about a broader approach to infomercials that are, in fact, misleading the consuming public.

Chairman SISISKY. I was going to so request. Mr. MacLeod has offered a private meeting with the Federal Trade Commission, and I would ask you, Mr. MacLeod, to arrange this as soon as possible with our staff, if you will?

Mr. MACLEOD. Thank you, Mr. Chairman.

If I may make one response addressing the manner in which Mr. Lancaster has raised, I think that it is worthwhile to note the experience we have had so far. The Federal Trade Commission needs to obtain from court the authority to shut down a particular advertiser. The two cases we brought in November of last year were cases in which we sought preliminary injunctions to stop these ads, and it was only recently in one of these cases a judge finally entered the injunction.

It requires a good deal of preparation. It requires the kind of evidence that will persuade a Federal district judge—over the very vigorous contest of the defendant in the case—to decide that this is indeed a program or this is indeed a problem that the court will intervene in and invoke a very drastic remedy.

So, I think that, while I can say that we are vigorous in this area, and I think the actions we have taken so far demonstrate that, I will be glad to brief the subcommittee. I share your frustration that we cannot talk in public forum a little more openly about what the commission may be doing behind the scenes.

But I think that the reasons for that rule are reasons the subcommittee can appreciate. It is a very delicate task putting together law enforcement investigations and having it in a form to persuade the court to do what we want them to do. As soon as these investigations become public and our law enforcement actions become public, we are more than happy to share the results of that and our background with the subcommittee.

Chairman SISISKY. Mr. Bilbray, did you have any questions?

Mr. BILBRAY. Yes; along Representative Lancaster's line of questioning, first, could you provide us with information on the number of cases filed with your department; second, the amount of time before your department takes action; and third, is there need for increasing fines and penalties so that this committee can be constructive in helping you correct the problem of misleading infomercials.

Mr. MACLEOD. I will be glad to provide that.

[The information may be found in the appendix.]

Chairman SISISKY. Mr. Wyden, did you have any questions?

Mr. WYDEN. Thank you, Mr. Chairman.

Mr. MacLeod, you mentioned the fencing-in requirement, regulation that says programs have to carry the bug or the crawler informing the viewers these are paid ads. Is it correct, though, in saying relatively few programs, we are including "Money, Money, Money" at this point, carry this bug?

Mr. MACLEOD. I cannot recite for you the proportion of programs that carry the bug. There is the leader that the Federal Communications will I believe, describe to you shortly. What we have done in our cases is to say that it is a violation of the Federal Trade Commission Act for you deceptively to portray your product or your presentation as what it is not, and it is that underlying rule that we will require people to abide by.

I think that a trailer is one way you can do that. There are other ways you can do it, as well. The important issue is to make sure that consumers are not deceived by the commercial itself.

Mr. WYDEN. Do you need more statutory power to do something about this? I am just baffled about why more aggressive action has not been taken. Every single time we talk to you about these problems you always say that there is something pending, you are looking into it. I think you know in the health care area I have great reservations about what the commission is doing, and I just wonder if you need more statutory power. What is it going to take to get the commission to go after some of these outlandish claims that are being made out there?

Mr. MACLEOD. Mr. Wyden, I will be glad to tell you all we are doing to go after a number of——

Mr. WYDEN. Do you need more statutory power today, or is there something else that is hindering your effort to move on these kind of things? Is it staff? Is it statutory power? What is holding things up?

Mr. MACLEOD. What we are doing right now in the investigations that we are working on is developing the kind of evidence that we would need to go into court to stop these ads, and this evidence is evidence that will, I think, provide adequate relief under section 5 of the Federal Trade Commission Act. Do we need more?

I think it would be a little early for me to answer that question right now. If we find out our actions under section 5 will get the message across and will solve whatever problems that we see out there in the industry, it could well be we do not.

But I am not willing to say right now legislation might not be a very effective vehicle for getting a more uniform system out there in the industry. But at the moment, it is really too early for me to say, and I can't tell you right now because the Commission has not considered itself whether the Commission would support or would remedy any specific legislation.

Right now what we are doing is carrying out our law enforcement efforts. I am reasonably optimistic those law enforcement efforts will send the message to the industry, if they have not sent the message already. I believe that message is beginning to get out right now.

Mr. WYDEN. I understand that you told the staff of this subcommittee that you have more concerns about so-called news format infomercials than the talk show format infomercials. Is that the case? If so, what is the difference?

It would seem to me a rip off is a rip off. I would be interested in knowing if you have said that and, if so, what the difference is.

Mr. MACLEOD. I can't tell you whether my staff had a particular conversation with your staff. I can tell you that the deception that can be accomplished by a format is a deception that certainly would vary with the format. I mentioned, before you came in, I believe, that there are certain formats that probably would not raise much problem at all. For example, home shopping and real estate programs, and there are formats that could cause serious difficulty, for example, the case we brought against JS&A, which involved a 20/20 news format that gives a much higher indicia, I think, of independence.

As a matter of fact, they were advertised as that. They were advertised as a show, as an investigative report that gave a great deal of credibility to that news format itself.

I think there can be a range of these formats. I am not willing to say whether any particular program or where any particular program falls within that range, but I think that we can certainly acknowledge that among the types of programs we have seen, some make a far more vigorous effort to purport to be something that they are not.

Mr. WYDEN. One last question if I might. Mr. MacLeod, I understand you feel this is an increasing form of advertising. Is that correct?

Mr. MACLEOD. What we have seen so far in publicly available sources indicates this is a growing industry; yes.

Mr. WYDEN. How many personnel do you have now trying to monitor what is going on in this area and to try to scrutinize for abuses? How many staff people work on this particular issue?

Mr. MACLEOD. I would say over the last 6 months we have had teams of three or four attorneys on one case, three or four attorneys on another case, people back here in Washington. It probably adds up to 10 or a dozen of our professionals in the last 6 months working in various aspects on this industry.

It has not been simply monitoring. It has been litigation, investigations, it has been the monitoring. There has been a very concerted effort here at the Commission over the past.

Mr. WYDEN. But is there one person who coordinates this? I guess what I am trying to find out is whether the Commission knows who knows who is doing this, and how they are doing it, and whether there is some action when a complaint comes in.

Is there one person at the Commission who tries to monitor these infomercials on an ongoing basis?

Mr. MACLEOD. We have people here at headquarters. Of course, I am the person who runs the Bureau of Consumer Protection, and I am ultimately responsible for what we do in the Bureau.

I have folks in my Division of Advertising Practices who keep an eye on the cases we are investigating. One of our cases was brought out of the Division of Advertising Practices, another case was brought out of our Seattle office.

We do keep in touch and make sure our actions are taken on a coordinated basis. So, we are moving forward on a unified front. We do have a great deal of expertise right now in the Bureau as to what is going on out there in the ads that we are watching and the ads we are investigating. I can't tell you, of course, if an ad would appear for the first time tomorrow, we would know everything about that ad as soon as it appeared.

We do not have that kind of advance registration or clearance scheme at the Commission. If it is an ad that gives us some reason for concern, you can be sure we will start finding out about it as soon as we can.

Chairman SISISKY. You don't have to have a formal complaint to look into it.

Mr. MACLEOD. Absolutely not.

Mr. WYDEN. Name an instance when you moved without a formal complaint.

Mr. MACLEOD. I don't tally my cases that way, one reason being I don't generally disclose the sources that have led to our investigations, because sometimes those sources themselves can be compromised. But we have brought a number of cases over the years that have not been prompted by a complaint but have been prompted by the monitoring of our own folks in the Division of Advertising Practices and out in the regions. Complaints are simply one of the sources for investigations that we bring.

Mr. **Wyden**. Maybe my colleagues can ask for it, but I would be interested, and I think Congressman Bilbray asked for it—to know exactly what cases have been brought in the infomercial area. I am particularly interested in knowing whether the Commission has pursued a case independent of a complaint.

Because here we have a situation where there has been foot-dragging even though virtually everybody in Washington thinks there has been an abuse.

Chairman **Sisisky**. I would tell my colleague, we did promise Mr. MacLeod he would be out of here at 11:30. It is almost 20 minutes to. We are going to ask for a meeting, and we would like for you to bring that information where we can sit and really talk about this subject.

Obviously, you can see the frustration of the subcommittee. We think this issue is very important right now.

Mr. **MacLeod**. We think it is important, too, Mr. Chairman, and I will be glad to do that.

Chairman **Sisisky**. Thank you very much for your testimony.

Mr. **MacLeod**. If there are more questions, I will be happy to stay for a few more minutes.

Chairman **Sisisky**. The minority and myself have a lot of questions we will submit to you in writing.

Mr. **MacLeod**. Thank you very much, and I appreciate your accommodating your schedule to meet mine.

Chairman **Sisisky**. Mr. Johnson, you may proceed.

TESTIMONY OF WILLIAM H. JOHNSON, DEPUTY CHIEF, MASS MEDIA BUREAU, FEDERAL COMMUNICATIONS COMMISSION

Mr. **Johnson**. Good morning, Mr. Chairman, members of the subcommittee. I appreciate the opportunity to appear before you this morning on behalf of the Federal Communications Commission to address a number of issues you have raised concerning so-called infomercials and Commission rules or policies that may be applicable to the broadcasting or cablecasting of these programs.

Infomercials are a particular variety of what the Commission has historically called program-length commercials. Program-length commercials may involve, for example, home repair programs sponsored by and using the tools and supplies of a particular manufacturer; gardening and lawn care programs prepared and sponsored by an association of dealers in lawn and garden supplies; book review programs using time purchased by a book store; or financial advice programs sponsored by brokerage houses. Although there is considerable diversity among these programs, infomercials are frequently done in a format that suggest the program is a consumer-oriented product-review show.

As an initial matter, the Commission does not have any regulations that are specifically directed to programs of this type. From 1973 until 1984, the Commission did have processing guidelines applicable to the number of commercial minutes per hour that could be aired by television stations. Similarly, it had a policy cautioning licensees against the airing of program-length commercials.

In 1984, as part of its television deregulation proceeding, the Commission eliminated these guidelines on commercialization, the program-logkeeping requirements and, as a consequence of the foregoing, its program-length commercial policy.

This decision was based upon the confidence that the dramatic increase in broadcast stations, together with competitive rivalry with other media, were sufficient to limit the level of commercialization absent a Commission promulgated guideline. A series of Supreme Court decisions issued in the middle 1970's, that signaled a changing attitude toward the application of the First Amendment to commercial speech, also contributed toward this decision.

Accordingly, the presentation of program-length commercials is not now violative of any provision of the Communications Act or of the Commission's rules.

The Commission does become concerned, however, when violations of the Communications Act or the Commission's rules are present in a broadcast of a program-length commercial. It has been our experience that such violations most often involve a failure to provide the sponsorship identification announcements that are required by section 317 of the Communications Act and section 73.1212 of the Commission's rules.

This is especially the case in infomercials that are deliberately made to appear as legitimate, objective, product review programs. Irrespective of whether the tape or film a broadcast station receives from the producer contains a sponsorship identification announcement, it is the responsibility of each licensee airing the program to assure that it is properly identified as paid for material and to name the sponsoring party.

In the past 6 months the Commission has imposed sanctions against several licensees for their failure to broadcast sponsorship identification announcements in connection with infomercials concerning Blu Blocker sunglasses and Helsinki Formula hair restorative lotion.

I would like to briefly outline for the subcommittee the procedure that the Commission uses in handling this type of case. With almost 15,000 authorized broadcast stations and more than 8,000 franchised cable television systems in operation, the Commission must generally rely upon complaints from the public in the discharge of its enforcement duties.

If we receive a complaint that, for instance, a licensee aired an infomercial but did not provide the required sponsorship identification announcement, the Commission channels the complaint directly to the Complaints and Investigations Branch of the Enforcement Division of the Mass Media Bureau.

If the complaint makes a threshold showing that the sponsorship identification requirements were not complied with, a letter of inquiry is directed to the licensee of the subject station. The letter of inquiry typically will pose specific questions to the licensee and require a response within a set period of time.

When the response is received, the complaint and the licensee's response are reviewed. If further information is deemed necessary to an informed decision, it is required from the licensee. If no further information is necessary, a decision is made as to whether the subject requirements were complied with and, if not, what enforcement sanction is appropriate. The statute, for example, authorizes the Commission to impose monetary forfeitures of up to $20,000.

In cases where initial review of the complaint reveals that the crux of the complaint is that the program was false, deceptive, or misleading, it is either forwarded directly to the Federal Trade Commission, or it is returned to the complainant with a note advising that the complaint is within the jurisdiction of that agency.

The existing statutory requirement for identification of sponsored material should, in our view, be sufficient to assure that the public is informed when it is viewing paid-for broadcast matter, as long as the program is not otherwise false or misleading.

When broadcasters fail to air the required announcements, our enforcement program sanctions offending licensees and, consequently, deters others in the broadcast community from violating their statutory requirement.

Programs of this type also appear on cable television systems. The sponsorship identification requirements of the Communications Act do not, by their terms, apply to cable television operations. However, the Commission has adopted its own rules, section 76.221, which imposes identification requirements on cable systems similar to those the statute imposes on broadcasters.

Again, I thank you for the opportunity to present the Commission's views on this subject. I would be happy to respond to any questions you may have.

[Mr. Johnson's statement may be found in the appendix.]

Chairman SISISKY. Mr. Bilbray.

Mr. BILBRAY. Is the $20,000 fine the highest penalty given to offenders?

Mr. JOHNSON. That is correct.

Mr. BILBRAY. Today, one of these programs could make a lot more than $20,000. When was the $20,000 figure put into the law?

Mr. JOHNSON. That has been some time.

Mr. BILBRAY. Do you believe that the fine should be increased to sting these people harder?

Mr. JOHNSON. The Commission has periodically requested the forfeiture penalty be increased, and I think that would be desirable.

Chairman SISISKY. Is that incurred per violation?

Mr. JOHNSON. It is only $2,000 per violation.

Chairman SISISKY. You have something you can do which is not renew the license; is that correct?

Mr. JOHNSON. That is correct.

Chairman SISISKY. That is something that should go out to everyone, because this fine is the one real penalty you hang over the station owner's head. That isn't the case with cable, obviously.

Do you have any questions, Mr. Wyden?

Mr. WYDEN. Just a couple of questions. Have you pursued actions without a third party complaint, Mr. Johnson? I guess the problem for me, just as it was with Mr. MacLeod, is it seems not so likely viewers are going to complain. They are not going to be in a position to assess the accuracies of these sorts of things.

I am curious whether you and the Federal Government have moved without a third party complaint in some of these instances?

Mr. JOHNSON. I think we could act on our own, but our process is almost entirely complaint-driven at this point. We have been very reluctant, for example, to have any kind of monitoring program because of the First Amendment implications of the Commission looking at licensees' program content and the threat that could impose on their First Amendment rights.

Mr. **Wyden**. Let's explore that for a second. You are saying because of your First Amendment concerns—I think all of us understand the implications of First Amendment issues—people can say almost anything and unless there is a complaint by a viewer, the Federal Government won't get involved?

Mr. **Johnson**. As I said, it is a complaint-driven process. We don't have a monitoring program in which we have a staff that reviews things regularly and routinely because of the First Amendment issue.

Mr. **Wyden**. That still does not answer my question. What it appears to me you are saying is you can claim anything in one of these infomercials, and unless there is a complaint by a citizen, the Federal Government isn't going to be concerned about it; is that right?

Mr. **Johnson**. I think there is the Federal Trade Commission part of it which seems to me is the crux of the matter. If the content is deceitful, providing false information, they may be able to take some action.

We couldn't take action aside from that anyway, I don't believe.

Mr. **Wyden**. That was the other question I wanted to ask you. You cite in your testimony on page 5 that the Communications Act doesn't apply to cable television operations, but the Commission has adopted rules that apparently have some requirements with respect to identification.

Do you feel those rules are adequate or should Congress move by statute to give you additional powers?

Mr. **Johnson**. I believe those rules are probably adequate at this point. They have been in place since 1969, I think, and have not been challenged, so I believe we have authority to continue those rules in force.

But basically, in terms of requiring the identification of the sponsor, they should take care of the problem, that part of the problem.

Mr. **Wyden**. Do you feel the number of abuses is increasing in this area of information?

Mr. **Johnson**. I think what has happened is in the 10 years prior to 1984, the Commission very strongly discouraged long-length commercials, program-length commercials of any type. When that restraint was taken off, we started to get many more program-length commercials of all different types.

Clearly, the amount of commercials of the type this subcommittee is concerned with have increased. We have taken action against two programs in the television area and at least one program in the radio area. So, it does seem to me there has been an increase.

Mr. **Wyden**. There has been an increase in the number of questionable claims made in these infomercials in your view?

Mr. **Johnson**. Yes.

Mr. **Wyden**. Thank you.

Thank you, Mr. Chairman.

Chairman **Sisisky**. Section 317 does what? Would you explain that?

Mr. **Johnson**. It simply requires that the sponsor of the program be identified in the program.

Chairman **Sisisky**. So, the responsibility of a licensee to label a paid commercial broadcast already exists, does it not?

Regardless of whether there is any contention that the material contained in the broadcast may be false or otherwise misleading, the station owners have to label these programs.

Mr. **Johnson**. That is correct.

Chairman **Sisisky**. But they are not labeling these programs. Whose responsibility is it to see this is done? Is it the licensee?

Mr. **Johnson**. It is the licensee's responsibility.

Chairman **Sisisky**. I have seen a broadcast of "Money, Money, Money," and it was not labeled. I particularly looked at the show to see if it was labeled, and there was no labeling.

Now, obviously, the station owners are not worried about the fine, but it seems to me what I might worry about, if I owned the station, would be the question of license renewal. But you have no monitoring at all. Where do the complaints come from? In other words, does a State attorney general let you know that they are not labeled?

Mr. **Johnson**. That is correct. We have no monitoring program of our own.

Chairman **Sisisky**. Your agency doesn't look at any shows?

Mr. **Johnson**. No.

Chairman **Sisisky**. You really are deregulated, aren't you?

Mr. **Johnson**. That is not a new development.

Chairman **Sisisky**. I understand that. It was deregulated years ago. But you want to——

Mr. **Wyden**. No; I find this absolutely amazing. The FCC seems to be the only person or agency in America that does not watch television. I find it a very, very novel approach to protecting the interest of consumers, and I thank the chairman for yielding.

Chairman **Sisisky**. Thank you.

Mr. Ireland or Mr. Lynch.

Mr. **Lynch**. Thank you, Mr. Chairman.

A licensee, if I were a licensee, what is the required sponsorship identification announcement? What would the FCC tell me that is?

Do I have to say it is a commercial several times during the show? Can I just put something at the end in tiny print where somebody probably couldn't read it?

What is legally required sponsorship identification announcement?

What is that?

Mr. **Johnson**. There is a requirement only once during the program. There is no requirement it be multiple times during the program, and it has to be obviously visible to the viewer. It can't go by—with reference to the crawler—so fast that nobody can see it.

That would not satisfy the requirement.

Mr. **Lynch**. If it comes on at the end of the program as sort of a statement and is on for a couple of seconds, is that satisfactory? Doesn't matter how small the print is, as long as it appears there and says what it is?

Mr. **Johnson**. As long as it is viewable or hearable by the audience, that is satisfactory.

Mr. **Lynch**. You say you have moved against some licensees, sunglasses and this hair restoration lotion, whatever it is, but your penalty is only up to $20,000. Does that mean, for example, if a local TV station had run, say, 300 hours in a year this particular programming, their penalty is just $20,000? That is it?

Mr. **Johnson**. $20,000 is for one enforcement action. It wouldn't mean if we imposed a $20,000 forfeiture they would then be off for the rest of the year. If they continue with the program, obviously they would be——

Mr. **Lynch**. My point is this probably does not come along after the show has been running for awhile, after what we have heard how the FTC gets in, and you wait to see what they do. Basically, this could run for a long period of time, consume a lot of hours, but the main penalty the licensee would face would be $20,000; that is it.

Mr. **Johnson**. That is correct.

Mr. **Bilbray**. Mr. Chairman.

Chairman **Sisisky**. Let me ask one question which dawned on me. The ruling on labeling—you said it could be 10 seconds right at the end—is that an administrative rule?

Mr. **Johnson**. The act itself does not specify. It just says the sponsor itself must be identified. There is, in the rules of the Commission, some discussion of how long.

If there is a political program, for example, the identification must be at the beginning and the end if it is more than 5 minutes in length.

Chairman **Sisisky**. Has the FCC looked at this matter?

You are talking about 30-minute programs and some sort of a label at the end of a program. Is this enough—particularly when people have all these—the couch potatoes using automatic switching devises? They don't know what they are watching if it is only flashed at the beginning or the end. Have you, the FTC, looked into this, or do you need some help to look into it?

Mr. **Johnson**. I am unaware of any specific review of that. It does strike me as something we should perhaps take a look at. I know there is a lot of concern about this particular program, but I would point out we have received only a very limited number of complaints about it.

Chairman **Sisisky**. I can see why. Really, you have nothing you can grab hold of. You can fine the licencee $20,000, of course, but a lot of people don't know who to complain to or what to complain about. This is why we asked the Federal Trade Commission whether they take unilateral action, and they do, or so he said. I really have a problem with this.

I don't think, by the way, although this subcommittee is only responsible for the effect this program has had on small business programs, that I am happy to think there are more of these infomercials out there.

If you haven't been watching television, you ought to start. I think you will agree with me that some of the claims these people are making are a problem.

Mr. **Wyden**. If I can ask the Chair a question, is it correct in saying that, in effect, Federal agencies, like the SBA, are actually coming to your subcommittee because there was no action taken on this, that they were trying to write people in the media and others; but through a combination of the FTC and the FCC, no action was taken at the Federal level to deal with this, and, in effect, the SBA out of desperation came to you, Mr. Chairman, and said, please try to prod the system into doing something about it.

Chairman SISISKY. They didn't put it just like that, but they came, and I prodded the system.

Mr. WYDEN. I think it is an incredible commentary on where the Federal Government is with respect to consumer protection. You can't get any action at the Federal level so you have to try to write 60 Minutes to get them involved or come to Chairman Sisisky because he is trying to protect consumers.

I think it is an incredible indictment of how little is being done to protect consumers. I appreciate the chairman clarifying that.

Chairman SISISKY. Mr. Bilbray.

Mr. BILBRAY. Yes, Mr. Chairman.

Two points. I want to clarify something. You have stated the FCC has asked prior to this that the amount of fine they can give to an individual licensee for these violations be increased because the question was brought up over here that the program could run for a year, and they could be paying the station $2,000 per half-hour broadcasting once a week, and virtually, the station could take in $400,000 or $500,000, and when you catch up with them the maximum fine you can give them would be $20,000; is that correct?

Mr. JOHNSON. That is correct.

Mr. BILBRAY. How many times has the FCC made a formal request to increase their ability for these fines?

Mr. JOHNSON. I really don't know, but the last time I think was 1986, and it has come up periodically.

Mr. BILBRAY. I have a little statement I want to make. One of the reasons you don't hear a lot of complaints is the same thing the chairman doesn't, because they come to our district offices and complain because they buy the books. They get the pamphlets telling them where they can get these loans, and they can't get them, and they come to our district offices and get their Congressman to put pressure on the SBA or whatever it is, because we should have the power to get them these loans because we are Congressman, and we can do anything.

Every one of us hears this every day. The problem is that they come back, and they think the Government has let them down because the Government is tied up in bureaucracy, and this unscrupulous program is not the one lying to them. It is the Congress, the Government, the bureaucrats that are screwing them up, and most people who come in believe that is who the problem is, not knowing when they started out they had no chance, because the programs and these things didn't exist.

Chairman SISISKY. I thank you very much. I thank you, Mr. Johnson. I thank all members of the subcommittee and particularly the staff who have done a wonderful job setting this hearing up. This issue will not be forgotten, I promise you.

The subcommittee will meet at the call of the chair. The meeting is now adjourned.

[Whereupon, at 12:00 noon, the subcommittee was adjourned, subject to the call of the Chair.]

APPENDIX

RESPONSE TO TRANSCRIPT OF TELECAST
PREPARED BY
WILLIAM A. McCONARTY, PRESIDENT
AMAF INDUSTRIES, INC.
9052 OLD ANNAPOLIS ROAD
COLUMBIA, MARYLAND 21045

I met Mr. Phillips on a plane trip from Phoenix to Chicago on June 19, 1986, and remember the flight because it was one of my rare first class flights. After contact by Mr. Forrer, I looked up my copy of Expense Account Statements for the trip to fix the date. As I recall, I had a window seat and Mr. Phillips sat next to me in an aisle seat. He had a large briefcase and was looking through some papers that I recognized as free handouts from various Government agencies and procurement offices. As President (January 1986) of a U.S. Government contractor, I thought he must be in a similar business and inquired as to his line of work. Mr. Phillips responded that he was writing a book on "doing business with the Government" and was collecting data. I told him that was interesting to me since my company was a Government contractor and proceeded to tell him about AMAF, using one of our Annual Reports (Exhibit). I also probably explained to him that we were an 8(a) contractor and may have given him a copy of a pamphlet on the 8(a) Contracting Method which we publish for our use (Exhibit). I do not remember any discussion of "grants" and certainly the GSA was never mentioned since we have no GSA business and never have had. My conversation with Mr. Phillips led me to suggest that I would like to see his book before it was published and that if he would forward me an advance copy, I would be glad to comment on it.

I never heard from or of Mr. Phillips directly again. I also have never seen Mr. Phillips' book.

The next I heard of Mr. Phillips was in the summer of 1988 when one of AMAF's employees said he had seen a television show and my name and the company name were mentioned. He said the guy on the show was Mr. Wayne Phillips. During the period from the summer of 1988 through late 1988, I received several (less than 10) phone calls from people who had seen Mr. Phillips' show and wanted to speak to me directly. The majority of the callers were women. One call was from Washington or Oregon to my home phone. One young woman was in Baltimore and had a new concept for an ice cream parlor and wanted to know how to get a Government grant to get started. Several visitors to AMAF have also commented on having seen the show and one older gentlemen even said he had bought Mr. Phillips' book.

The general result of these calls and conversations was a feeling of sadness on my part that I could be drawn into what I consider as a possible marketing "scam."

TESTIMONY BEFORE HOUSE OF REPRESENTATIVES
COMMITTEE ON SMALL BUSINESS

SUB-COMMITTEE ON EXPORTS, TOURISM AND SPECIAL PROBLEMS

HONORABLE NORMAN SISISKY, CHAIRMAN

David V. O'Donnell
Director of Small Business and Financial Services
Virginia Department of Economic Development

May 2, 1989

Mr. Chairman, members of the Committee...Good Morning.

My name is David O'Donnell. I am Director of the Office of Small Business and Financial Services for the Virginia Department of Economic Development.

The mission of our office is to help small business succeed and grow in Virginia, thereby creating jobs and contributing to the economic development of the Commonwealth. We implement this mission through a number of entities and programs, including:

1-Small Business Advisory Board

2-Virginia Small Business Financing Authority

3-Interagency Small Business Alliance and Ombudsman Program

4-Small Business Development Center Program

5-Rural Virginia Development Foundation

6-(soon to be initiated) Federal Procurement Assistance Program

During 1988 we received an average of 160 telephone inquiries each month from clients seeking information and assistance on business problems. We have found that many clients ask for assistance in obtaining financing. However, experience shows that what they really need is not just money, but advice and assistance (e.g., help in developing a business plan). Only when their idea is properly packaged will they be able to estimate how much money they actually need and what individuals, institutions or programs might be possible sources of the needed financing.

Our client response strategy is to point the client towards developing some kind of overall plan for his business so that he will have the best chance of being successful in obtaining financing and in operating the business. We try to be both courteous and helpful, and clients have generally responded favorably. They sincerely want help and appreciate the advice and information we are able to provide.

In January of this year, something changed. The number of telephone inquiries doubled. Many of the callers were suspicious and difficult to deal with. Some of them actually demanded grant money to get them started in business. We informed them that Virginia had programs providing services to small firms and loan guarantees to credit-worthy companies, but not grants for start-up businesses. The client replies were in the vein of

> "They told me you'd deny it, but I know you have grants you don't want me to know about."

We soon learned that Mr. Wayne Phillips' program was being broadcast in the Richmond area. The show clearly created the impression that both the federal government and all state governments had grants which anyone could obtain to start any kind of business. It also created the impression that both federal and state governments tried to conceal the availability of such grants. I base these statements on my staff's conversations with a large number of callers who viewed the show, and after having viewed a portion of one of the shows myself.

The impression that federal and state grants are generally available to anyone who wishes to start a business is simply not true.

The program in question has harmed small business clients in Virginia and adversely impacted the ability of the Virginia Department of Economic Development to deliver services to small business clients:

1 - The program has made entrepreneurs less willing to accept help with the critical marketing, management and other business aspects of their problem by taking advantage of the entrepreneur's natural preoccupation with funding and creating the unrealistic expectation of a free lunch.

2 - The program has undermined the confidence of small business clients in Virginia's government by telling them that the state will try to hide the availability of grants. It is difficult to help a client who does not trust you.

3 - The program has made it more difficult for our staff to establish a constructive and helpful relationship with our small business clients.

4 - The program has made it more difficult for our staff to respond effectively to client inquiries. We have been required to spend time developing new ways to respond to these problematic inquiries. We have found that by spending additional time on the phone with each

> client, we can often repair the damage and transform the problematic inquiry into a satisfied client.

Mr. Wayne Phillips' program has also caused problems in the Hampton Roads area of Virginia according to John TenBraak, Chairman of the SCORE Chapter 60 at the Hampton Roads Chamber of Commerce. SCORE, Senior Corps of Retired Executives, is a program sponsored by the Small Business Administration in which retired business executives volunteer to counsel and advise small business persons. Mr. TenBraak told me last week that the inaccurate impressions created by the Wayne Phillips program so disrupted SCORE Chapter 60's counselling efforts that he asked the stations broadcasting the program to take it off the air. According to Mr. TenBraak, two of the three channels complied with his request.

Thank you for this opportunity to report on the difficulties caused by this program in Virginia. I hope the Committee will find our experiences a useful contribution to its work.

STATE OF MICHIGAN

JAMES J. BLANCHARD, Governor

DEPARTMENT OF COMMERCE

DOUG ROSS, Director

SMALL BUSINESS
SERVICES BUREAU
P.O. BOX 30225
Lansing, Michigan 48909

Before the
United States House of Representatives
Committee on Small Business
Subcommittee on Exports, Tourism, and Special Problems
The Honorable Norman Sisisky, Chairman

Testimony of Jeffrey D. Padden

Governor Blanchard's Small Business Advocate and
Director of Small Business Services
for the Michigan Department of Commerce

May 2, 1989

Chairman Sisisky and Members:

I appreciate the opportunity to appear before you to report on the impact of the Wayne Phillips television commercials on Michigan's small business development efforts. Some background information on our development strategy will help you understand our reactions.

Throughout this decade, Michigan has worked aggressively to reshape its economic future. This has involved new strategies and new business services, but at its heart it has been a new relationship between the public and private sectors. This new relationship has required learning on both sides: to understand mutual agendas and to act on mutual interests. We have worked hard to put the traditional adversarial relationship behind us.

Our strategy capitalizes on Michigan's past leadership in high volume manufacturing by looking toward a future in which we lead the world in complex, flexible manufacturing. This requires modernizing our base industries, creating a world class workforce, developing new sources of innovation capital, and encouraging entrepreneurship.

Together, the business/government partnership in Michigan has forged this strategy, based on hard analysis and built of a hard-won mutual trust.

Now comes Mr. Wayne Phillips who, through his cable television advertising, raises false expectations and creates misunderstanding.

I have seen one of the Phillips sales promotions on a local cable channel. I did not buy his pitch or his book. I was, however, struck by the overall tone of his message. He seemed to be saying that if you want to go into business, the government owes you money and will be happy to pay it to you. He made it sound as if I could start a business today and get a government contract tomorrow. That is not the way the world works. He never mentioned the need to develop a good product or learn how to run a business.

The impact on us has been two-fold: wasted capacity and a damaged reputation.

In regard to the first, his program has generated thousands of calls to our Michigan Business Hotline in Lansing and our fifty Business Development Centers across the state. The calls have been from people who were led to believe that there is an entitlement program to provide money to would-be entrepreneurs. Needless to say, we cannot provide what these people expect.

We have worked hard to accurately represent what we can and cannot do to support business development. The time it takes to explain, over and over and over again, the problems with the Phillips advertising could be much better spent working with clients who have a reasonably accurate picture of what we can do.

We do training and counseling. We provide assistance in developing business plans. We connect business owners with new market opportunities. These are all investments of public resources that we believe pay a high return in the form of increased business activity and management capacity in Michigan.

We do not simply hand out money, whether in the form of grants, loans, or contracts. While we assist business owners who wish to learn how to do business with the state or federal governments, we do not lead them to believe that contracts are automatic. We inform them about the quality and production standards that they will be expected to meet and then help them learn how to meet those standards.

The capacity of our services is limited. The time invested in responding to the misleading information provided in the Phillips promotions comes at the expense of being able to provide service to other customers. We have no ability to recover this lost resource.

The second impact is perhaps even more important. The relationship of mutual understanding and trust that has made possible the development of a constructive business/government partnership in Michigan is threatened by misunderstanding and mistrust fostered by the Phillips commercials.

Phillips tells his viewers that the government people will say that there are no free funding resources, so when they hear that from us, they are angered. While some change their views as a result of getting information from us, many leave unconvinced. This damages our credibility with potential customers.

If he were doing to the reputation of a private corporation the same thing that he is doing to ours, he would be held accountable through our legal system. He would likely pay the price for damaging the value of the good name of the corporation. We have worked hard to create a good name for Michigan in the eyes of the business community.

What is the impact of the damage he has done to that good name? Some people who would otherwise have taken advantage of our business assistance services will choose not to, because they will have heard that we cannot be trusted. Their business ideas may develop more slowly than they would have otherwise.

I suspect that it will also slow our development efforts by causing some people to give up their dreams of small business ownership. How would this happen? The Phillips commercials raise false expectations and false hopes. When these are shattered by the confrontation with reality, many potential entrepreneurs will be discouraged.

Finally, it will make our progress toward expanding our business/government partnership more difficult. In order to transform our economy, we need large numbers of individuals on both the private and public side who understand and subscribe to the goals we have established. While we will certainly continue our progress, there are some in the business community who will be less likely to participate because our reputation for integrity has been compromised.

As taxpayers, the viewers of the Phillips commercials would be outraged if government were handing out money in the way he suggests. Perhaps he capitalizes on public cynicism about how the government conducts business, the thinking being that if the other person is on some government gravy train, one would be a fool not jump aboard as well. It is our job in the public sector to perform in a way that reduces cynicism and builds confidence. That job is complicated considerably when misleading information is widely disseminated.

Many of our customers bought the Phillips book before they called us. When they have learned how misleading the commercials were, they have frequently tried to get their money back and could not. The "money-back guarantee" has typically expired by the time the book arrived.

I applaud your effort to present a clearer picture of Mr. Phillips' activities to the American people. If nothing else, you can help those who have been duped by the commercials to get satisfaction for their claims against Phillips. Most important, you can make it less likely that others will be likewise misled.

As a member of our Hotline staff told me, "The harm this has done to Michigan's hard won reputation as a great place to start and operate a business will take time to heal, but the harm done to the morale of the potential entrepreneur may be irreparable." I hope you will find a way to stop the damage.

PREPARED STATEMENT OF JEFF MITCHELL, ASSISTANT DEPUTY DIRECTOR, ILLINOIS DEPARTMENT OF COMMERCE

May 2, 1989

Chairman Sisisky, Members of the Committee and staff, thank you for the opportunity to offer testimony to the Committee surrounding the effects, impacts, and recommendations relative to the recent "infomercial" program called Money, Money, Money featuring Mr. Wayne Phillips. My name is Jeff Mitchell, and I am the Assistant Deputy Director of the Illinois Department of Commerce and Community Affairs' Small Business Assistance Bureau and serve as the Statewide Director of the Small Business Development Center program. My testimony relates specifically to its operations of the Illinois Small Business Assistance Bureau and the associated small business assistance programs.

In support of the information provided, it is necessary to provide a brief overview of Illinois' small business assistance programs. This overview will illustrate the framework and the extent of services currently available to Illinois small businesses and entrepreneurs.

In 1985, Governor James R. Thompson created the Illinois Small Business Assistance Bureau (Bureau) within the Department of Commerce and Community Affairs (Department), which serves as the state's lead economic development agency. The creation of the Bureau brought together those assistance programs directed to small business under one common leadership structure. These assistance programs are categorized into four major areas and are administratively managed under the umbrella of the Illinois Small Business Development Center (SBDC) program which is funded through U.S. Small Business Administration and State of Illinois. The four areas include Advocacy, Business Development, Finance and Energy Assistance and Program Evaluation. Additionally, assistance is provided in regulatory flexibility and legislative issues. Attachment "A" presents the organizational structure of the Bureau on a more detailed description of these program areas and services.

The major delivery arm for the assistance programs is what we refer to as the "Illinois Business Development Center Network" (Network). Within this regional Network, we have established:

- Fifty-five Small Business Development Centers which provide general and technical consulting (counseling) services and training to existing small businesses and entrepreneurs.

- Seventeen Procurement Assistance Centers which provide highly specialized consulting services to existing small businesses wishing to enter the government and corporate purchasing markets.

- Thirteen Technology Commercialization Centers which provide highly technical and specialized assistance to existing small businesses and entrepreneurs wishing to explore new technologies, products and services.

- Seventeen Small Business Incubators which offer a supportive environment for new, start-up businesses.

- And, we are soon to designate our first SBDC International Trade Center and SBDC Small Business Innovation Research Center.

It is this Network which provides the on-going economic development services to our state's small businesses and entrepreneurs. It is a strong Network; it is a reliable Network; and, it is a highly utilized Network, as referenced by the following statistics. On the average, the Network annually serves:

- Over 21,000 small businesses/entrepreneurs in the SBDCs;
- Over 6,000 small businesses in the Procurement Assistance Centers;
- Over 700 small businesses/entrepreneurs in the Technology Commercialization Centers;
- Over 185 small businesses in the Small Business Incubators.

The Network is managed locally by community colleges, public and private universities, local economic neighborhood development agencies, all of which are directly involved in their own local and regional economic development activities. The Bureau provides overall guidance, support, and management to the Network and brings a wealth of other Departmental programs, i.e., Job Training, Entrepreneurial Training, Enterprise Zones, and many other supportive economic development programs to the small businesses. Attachment "B" presents the core of economic development programs available throughout the Department.

The Network is highly effective in helping foster a growing economic development climate, as referenced in the State Fiscal Year 1988 (July 87 thru June 88) economic development results. Attachment "C" presents the details, by program area, of the results. In summary, in SFY88, the Network helped small businesses:

- Create nearly 2,500 new jobs;
- Retain over 2,000 existing jobs;
- Establish 776 new businesses;
- Secure awards of over $64 million in new Federal Contracts;
- Secure awards of over 90 new patents;
- Secure loans in excess of $36 million.

In addition to the Network, the Bureau manages what is, in effect, the "lifeline" between the Network and the business person/entrepreneur. This "lifeline" is our Small Business Hotline (Hotline). The Hotline, a statewide toll free number, provides existing businesses with direct resource referrals to the Network and provides entrepreneurs with information on starting a small business in Illinois and refers them to the Network for on-going help. For reference, in SFY88 the Hotline received over 24,000 individual requests for assistance. The calls relating to the Money, Money, Money program were received on this Hotline.

The following presents an overview of our involvement in providing assistance and response to the individuals calling or writing us who obtained the Hotline number from Wayne Phillips' book entitled "How to Start Your Own Business by Doing Business with the Government."

To the best of our recall, we began to experience what ultimately became a "flood" of calls from individuals seeking "free money" and "grants" for starting a business in mid-October, 1988. It quickly became very obvious that the pattern of calls indicated some form of marketing effort. It took approximately ten days or so for us to discover the marketing source and first view the television program. After viewing the program, we came to the conclusion that we should expect the calls to continue.

We frequently experience "peak calls" which result from a targeted marketing effort by our own staff. For example, in late April, Mark Enstrom of our Energy staff appeared on a five minute segment of Spike O'Dell's radio program on WGN in Chicago and discussed the Bureau's Energy Conservation Interest Write Down program. He referred all interested parties to the Hotline. Within one week, this five minute appearance generated over 300 individual calls for information on the financing program. In this case, we had sufficient lead time to prepare for the increase in calls. In the case of the calls relating to Mr. Phillips' book, we had no such opportunity to do any advance preparations.

We estimate that from October of 1988 through March of 1989, we received and responded to over 6,000 calls and letters from individuals desiring "grants" for starting a business. This roughly translates to over 1,200 calls per month; an estimated increase of 40% over SFY88 activities. We were simply overwhelmed by the volume of calls and for the first two months struggled to keep up with the "new" demand. In early December we realized that the television program Money, Money, Money was continuing to be aired and that we needed to make significant management changes in order to deal with the continuing volume of calls. Specifically, we developed a five page background paper describing the "real" programs and services available to businesses and entrepreneurs and tailored it to the callers' misinformation gained through the program. This document, which is included as Attachment "D," was sent to many of the callers who questioned our responses to their demands for "free money" and was used as a script by our Hotline staff. Also included in Attachment "D" is the SBA Notice that we sent to callers.

In addition to the need to develop the background paper, we had to adjust our Hotline staffing and support to meet the demand; actions which had a direct fiscal impact on our operations. Using federal SBDC funds, we found it necessary to:

1. Hire additional temporary support staff to help handle the calls and mailings, at an estimated cost of $3,300.

2. Expand our operating hours from 8:30am - 5:00pm to 7:00am - 5:00pm including the expanded use of an answering machine for calls outside those hours.

3. Bid out and print an additional 10,700 "Starting a Small Business in Illinois Handbook" to meet the unplanned demand at a cost of $5,575.

In addition to the above, we had additional unplanned fiscal impacts in postage of approximately $9,600; in commodities of approximately $2,400; and in other related copying of technical and regulatory information of over $1,000. We cannot reliably estimate the cost of staff time directly attributable to these calls, but we know it was extensive.

A further impact occurred at the Network level, as many callers were referred to the SBDCs which obviously experienced similar problems. Specifically when comparing the number of clients seeking business start-up assistance during the period from July through September of 1988 to that of the period from January through March of 1989, we noted an increase in client activity of 89%. During the same period, long term client consulting activity rose only 16%, indicating that many of the clients desiring "free money" chose not to continue with a normal business start-up process, which of course requires their own capitalization. Further, because of the increase in one time client requests, the average number of hours spent with long term business start-up clients dropped from 10.0 hours per client to 3.0 hours. Obviously, those clients truly interested in investing time and money in starting a business were impacted due to the time spent on other "free money" callers.

More importantly, our major concern is the impact upon the "integrity" of our programs caused by the callers' misinformation about the kinds of assistance available from the State of Illinois to small businesses and entrepreneurs. Unfortunately, many of the callers simply refused to believe that we had no "free money" to start a business, and no matter what we said or did, that negative thought remains with them.

Following along this concern is the fact that in Illinois, we do provide help and assistance to small businesses and entrepreneurs. We offered the services of the Bureau and the Network to all callers, regardless of where they found our Hotline number. Regardless of what the caller's needs were, we provided prompt and reliable help for them. Again, however, many chose to disbelieve us, as they were told in the television program to expect such responses. While not irreparable in harm, damage to our integrity and to the programs we offer has been done on a short term basis at minimum. We find this to be unfortunate for those persons truly interested in starting a business in Illinois and to our reputation for helping people which we have strived so hard to develop and maintain over the past four years.

As for the content of Mr. Phillips' book, we find that the information presented regarding the services from Illinois is reasonably accurate, except for some outdated information and other minor inaccuracies. We feel that the book was not the problem; the television program gave a false impression of programs that simply are not available in Illinois. Once the caller had seen the program, their opinion was solidified that "free money" was available to them in a relatively short period of time and that by calling the Hotline number found in Mr. Phillips' book, they would be provided grant money to start a business. I must note, however, that Illinois does offer one grant program for small business where they can easily obtain up to $20,000 for pre-paying the interest rates on energy conservation improvement loans. These funds come from the state's allocation of Exxon Petroleum Violation funds. They are relatively easy to get and the grants do not have to be repaid; however, you cannot use these funds to start a business.

Regarding help for Minority and Women Owned businesses, we do offer a low interest financing program as well as other targeted assistance. Attachment "E," the Minority and Women Owned Business Action Plan, presents these programs.

Regarding recommendations resultant from this experience, I offer the following:

1. Based upon the obvious demand for business start up help (both technical and financial), we recommend that:

   * Congress continue to increase the appropriations to the Small Business Development Center program administered by the Small Business Administration to the authorized level of $65 million. The SBDC program can and does help entrepreneurs start viable businesses. Attachments "F," "G," "H," and "I" present materials reflecting the Self-Employment training programs and support materials developed by our agency for replication in the Network. Based upon this pilot program, additional funding can help implement this obviously important and needed program element statewide.

   * Congress work to change the Community Reinvestment Act so as to target the use of such a program to help finance locally based entrepreneurial training and financing programs aimed specifically at the entrepreneur and start-up business.

2. Congress work to develop regulations which provide assurances that "infomercials" are provided in such a way as to fully and adequately inform the viewer of the true nature of the program.

3. SBA should develop communications materials for television and radio which dramatize and explain, in creative ways that are realistic, the resources available for entrepreneurs. Such material could be produced for national distribution with local availability for local segments.

Again, thank you for the opportunity to provide this testimony. I will be pleased to answer any questions you may have to the best of my ability.

STATEMENT OF
FRANK S. SWAIN
CHIEF COUNSEL FOR ADVOCACY
U.S. SMALL BUSINESS ADMINISTRATION
BEFORE THE
SUBCOMMITTEE ON EXPORTS, TOURISM & SPECIAL PROBLEMS
THE SMALL BUSINESS COMMITTEE
U.S. HOUSE OF REPRESENTATIVES
MAY 2, 1989

MR. CHAIRMAN AND DISTINGUISHED MEMBERS OF THE SUBCOMMITTEE:

GOOD MORNING. IT IS A PLEASURE TO APPEAR BEFORE THIS SUBCOMMITTEE TODAY TO DISCUSS "INFOMERCIALS," WHICH ARE PAID ADVERTISEMENTS, AND THE IMPACT OF ONE SUCH PAID ADVERTISEMENT ON THE SBA AND OTHER GOVERNMENT AGENCIES.

THE SBA'S EXPERIENCE WITH INFOMERCIALS INVOLVES A PAID TELEVISION ADVERTISEMENT CALLED "MONEY, MONEY, MONEY." THIS PROGRAM PURPORTS TO BE A TALK SHOW BUT IS ACTUALLY A PAID ADVERTISEMENT PROMOTING A BOOK TITLED HOW TO START YOUR OWN BUSINESS BY DOING BUSINESS WITH THE GOVERNMENT. THE PROGRAM IS SHOWN ON TELEVISION STATIONS THROUGHOUT THE COUNTRY AND CLAIMS THAT BY PURCHASING AND READING THE BOOK, PEOPLE CAN FIND OUT HOW TO RECEIVE FREE GOVERNMENT MONEY TO START A BUSINESS. THE PROGRAM CONTINUALLY MENTIONS SMALL BUSINESS, WOMEN-OWNED BUSINESS AND MINORITY-OWNED BUSINESS, AND CREATES THE UNMISTAKEABLE INFERENCE THAT THIS FREE MONEY, OR GRANTS, ARE GOVERNMENT GRANTS AVAILABLE FOR SMALL BUSINESSES. THE VIEWERS THEN MAKE THE LOGICAL CONNECTION THAT THE PLACE TO CALL TO GET THEIR FREE MONEY IS THE SMALL BUSINESS ADMINISTRATION. VIEWERS HAVE ALSO CALLED OR WRITTEN OTHER GOVERNMENT AGENCIES IN SUCH NUMBERS THAT THOSE AGENCIES HAVE CONTACTED SBA TO SEE WHAT CAN BE DONE TO CORRECT THE PROBLEM. EXAMPLES OF THESE AGENCIES INCLUDE: DEPARTMENT OF EDUCATION, DEPARTMENT OF COMMERCE, GENERAL SERVICES ADMINISTRATION AND THE ILLINOIS AND ARIZONA ATTORNEY GENERAL'S OFFICES.

OUR AGENCY HAS RECEIVED THOUSANDS OF CALLS AND LETTERS FROM VIEWERS OF "MONEY, MONEY, MONEY." IN FACT, WE HAVE BEEN FLOODED WITH CALLS FROM PEOPLE WHO HAVE SEEN THE PROGRAM AND WANT TO GET FREE GRANT MONEY TO START A BUSINESS. THE FACT IS THAT NO SUCH GRANT PROGRAMS EXIST AT THE SBA OR, TO THE BEST OF OUR KNOWLEDGE, WITHIN ANY OTHER FEDERAL AGENCY.

THE SBA OFFICE OF ADVOCACY WAS ESTABLISHED BY CONGRESS TO SERVE AS THE VOICE FOR SMALL BUSINESS CONCERNS WITHIN THE FEDERAL GOVERNMENT. IN ORDER TO LISTEN TO SMALL BUSINESS OWNERS, ADVOCACY ESTABLISHED THE SBA ANSWER DESK IN 1982. THIS TOLL-FREE SERVICE IS A CENTRAL POINT FOR SMALL BUSINESS AND PROSPECTIVE BUSINESS OWNERS TO CALL WITH THEIR QUESTIONS OR PROBLEMS ON RUNNING THEIR BUSINESS.

SBA BECAME AWARE OF "MONEY, MONEY, MONEY" WHEN SBA OFFICES AROUND THE COUNTRY AS WELL AS THE OFFICE OF ADVOCACY ANSWER DESK STARTED GETTING CALLS FROM PEOPLE REQUESTING INFORMATION ON WHERE THEY COULD GET THE FREE MONEY TO START A BUSINESS. IN NOVEMBER AND DECEMBER 1988 THE ANSWER DESK RECEIVED A GREAT INCREASE IN THE NUMBER OF CALLS OVER PREVIOUS MONTHS, WITH A SIGNIFICANT NUMBER OF THOSE GENERATED BY THE TELEVISION PROMOTION.

IN ADDITION TO THE ANSWER DESK, OUR FIELD OFFICES AND OTHER PARTS OF SBA'S CENTRAL OFFICE WERE RECEIVING A LARGE NUMBER OF CALLS AND LETTERS. THE PHOENIX DISTRICT SBA OFFICE, FOR EXAMPLE, RECEIVED AN AVERAGE OF 275 CALLS PER DAY FROM INDIVIDUALS REQUESTING GRANTS TO START THEIR OWN BUSINESSES. THE PHOENIX OFFICE NOW CONDUCTS TWO LOAN CLINICS PER MONTH IN PHOENIX, ONE PER MONTH IN TUCSON, AND THE SCORE OFFICES CONDUCT TWO PER MONTH. THE OFFICE REPORTS THAT 80% OF THE ATTENDEES WALK OUT OF THE CLINICS ONCE THEY LEARN THERE IS NO "FREE MONEY."

WE ALSO STARTED HEARING FROM MANY OTHER SOURCES: SMALL BUSINESS DEVELOPMENT CENTERS, STATE SMALL BUSINESS PROGRAM OFFICES, AND CONGRESSIONAL OFFICES. THEY TOO HAD BEEN RECEIVING NUMEROUS CALLS FROM PEOPLE TRYING TO GET INFORMATION ABOUT THE "FREE MONEY." SOME OFFICES REPORTED THAT VISITORS ALSO CAME TO THEIR OFFICES BOOK IN HAND SEARCHING FOR GOVERNMENT PROGRAMS WHICH OFFER FREE MONEY TO START A BUSINESS.

ONCE THE CALLERS HAVE BEEN TOLD THE FACTS THAT THERE IS NO FREE GOVERNMENT MONEY TO START A BUSINESS THEY ARE OFTEN UPSET ABOUT BEING MISLED, AND THEY WONDER WHY THIS IS ALLOWED TO HAPPEN.

THE PROGRAM STATES:

> THERE ARE PROGRAMS FOR PEOPLE WHO HAVE LITTLE OR NO MONEY TO START A BUSINESS. YOU CAN HAVE BANKRUPTCY OR BAD CREDIT.
>
> IT'S NOT A LOAN, YOU DON'T APPLY FOR IT. YOU'RE GIVEN THE MONEY OR YOU'RE PAID TO START YOUR OWN BUSINESS. YOU COULD GO OUT AND GET A FRANCHISE--PIZZA HUT, BURGER KING OR EXPORT OR IMPORT GOODS. THERE IS $33 BILLION DOLLARS FOR SMALL BUSINESS.
>
> THIS IS GRANT MONEY OR AWARD MONEY. THEY GIVE YOU THE MONEY, AND AGAIN, YOU'RE NOT BORROWING THE MONEY. YOU DON'T HAVE TO PAY IT BACK. SO IF THE BUSINESS DOESN'T DO

> TOO GREAT, YOU DON'T HAVE TO WORRY ABOUT THAT -- GOING INTO BANKRUPTCY OR ANYTHING LIKE THAT. THERE'S MONEY AVAILABLE FOR JUST ABOUT EVERY PURPOSE -- EVERY PURPOSE YOU CAN THINK OF.

IN FACT, THERE ARE NO GRANT PROGRAMS TO START A BUSINESS AT SBA AND NONE THAT WE ARE AWARE OF IN THE FEDERAL GOVERNMENT. FURTHERMORE, THE REPRESENTATIVES OF "MONEY, MONEY, MONEY" HAVE FAILED TO PROVIDE US WITH ANY EXAMPLES OF SUCH GRANTS AT EITHER THE FEDERAL OR STATE LEVEL. FEDERAL GRANT PROGRAMS THAT DO EXIST HAVE VERY SPECIFIC PURPOSES AND REQUIRE EXISTING PERFORMANCE CAPABILITY. IN ADDITION, THEY ARE GENERALLY AWARDED AS A RESULT OF COMPETITIVE BIDDING. DIRECT OR GUARANTEED LOANS AVAILABLE FROM THE FEDERAL GOVERNMENT AN REQUIRE APPLICANT TO DEMONSTRATE CREDIT WORTHINESS.

FINALLY, THE $33 BILLION IDENTIFIED IN THE PROGRAM PRESUMABLY REPRESENTS THE AMOUNT OF FEDERAL GOVERNMENT PROCUREMENT CONTRACTS ANNUALLY AWARDED TO SMALL FIRMS FOR GOODS AND SERVICES. THAT $33 BILLION IN NO WAY RELATES TO FREE GRANT MONEY.

THE PROGRAM ALSO STATES THAT:

> UNDER EXECUTIVE ORDERS 11625 AND 12138, THE GOVERNMENT HAS SET ASIDE SPECIAL MONEY JUST FOR WOMEN AND MINORITIES. THERE ARE PROGRAMS THAT YOU CAN GO OUT AND USE AND GET SOME FREE MONEY.

THESE EXECUTIVE ORDERS (SEE ATTACHMENTS 1 AND 2) DO DIRECT FEDERAL AGENCIES TO MAKE AVAILABLE ALL OF THE RESOURCES OF THE AGENCY, ON A FAIR AND EQUITABLE BASIS, TO WOMEN AND MINORITY BUSINESS OWNERS, BUT DO NOT PROVIDE FOR A SPECIAL FINANCIAL SET-ASIDE PROGRAM.

IN ADDITION TO THESE SPECIFIC EXAMPLES OF MISLEADING OR INACCURATE INFORMATION, WE ARE ALSO CONCERNED THAT MANY VIEWERS WHO HAVE CALLED SBA DO NOT REALIZE THAT THE HALF-HOUR PROGRAM IS A PAID COMMERCIAL. IN FACT, AT THE BEGINNING OF THE PROGRAM, MR. PHILLIPS THANKS A TALK SHOW HOST FOR HAVING HIM ON THE SHOW. THUS, CALLERS ARE LED TO BELIEVE THAT THE PROGRAM IS AN INTERVIEW SHOW, NOT A PAID ADVERTISEMENT.

IN OCTOBER 1988, WHEN CALLS STIMULATED BY "MONEY, MONEY, MONEY" INCREASED MARKEDLY, WE WERE UNSURE OF THE REASON FOR THE CALLS. AFTER PIECING TOGETHER INFORMATION FROM THE CALLERS, WE LEARNED THAT MR. WAYNE PHILLIPS' BOOK HOW TO START YOUR BUSINESS BY DOING BUSINESS WITH THE GOVERNMENT WAS BEING SOLD OVER TV STATIONS. WE REQUESTED A COPY OF THE BOOK AND A COPY OF THE TV ADVERTISEMENT. WHEN WE RECEIVED NO INFORMATION FROM MR. PHILLIPS, WE ULTIMATELY OBTAINED COPIES OF THE BOOK AND THE PROGRAM FROM THE PROGRAM'S DISTRIBUTOR. AT THAT TIME THE DISTRIBUTOR INFORMED US THAT IF THE PROGRAM'S INFORMATION WAS BEING MISINTERPRETED BY THE PUBLIC, THEY WERE WILLING TO AMEND OR EDIT THE PROGRAM.

BECAUSE THE VIDEOTAPE PROMOTION CONTAINED INACCURATE AND MISLEADING STATEMENTS RELATING TO SBA PROGRAMS AND ACTIVITIES, THE GENERAL COUNSEL'S OFFICE WROTE MR. PHILLIPS IN LATE NOVEMBER REQUESTING THAT HE STOP AIRING THE PROGRAM. WHEN NO RESPONSE FROM MR. PHILLIPS WAS RECEIVED, AND THAT OF HIS DISTRIBUTOR WAS UNSATISFACTORY, THE SBA ISSUED A PRESS RELEASE AND OFFERED GUIDANCE TO ITS FIELD OFFICES ON HOW TO DEAL WITH THE THOUSANDS OF VIEWER INQUIRIES. (SEE ATTACHMENTS 3 AND 4.) IN RESPONSE TO MEDIA INQUIRIES, SBA FIELD OFFICES USUALLY ADVISED THAT THE PROGRAM WAS MISLEADING AND OFFERED TO PROVIDE SPOKESPERSONS TO ACCURATELY DESCRIBE SBA PROGRAMS. IN LATE NOVEMBER, AGENCY COUNSEL CONTACTED THE FEDERAL TRADE COMMISSION (FTC) BY TELEPHONE TO EXPRESS OUR CONCERN ABOUT THE PROGRAM AND TO REQUEST AN FTC INVESTIGATION. A FORMAL REFERRAL WAS MADE BY LETTER ON NOVEMBER 23, 1988. (ATTACHMENT 5).

IN YOUR LETTER OF INVITATION YOU ASKED WHETHER EXISTING DISCLAIMERS ARE SUFFICIENT TO ALLAY OUR CONCERNS ABOUT THE MISLEADING NATURE OF "MONEY, MONEY, MONEY." THE SBA HAS HAD NO DIRECT CONTACTS WITH MR. PHILLIPS REGARDING DISCLAIMERS. AS INDICATED, IN LATE NOVEMBER 1988, WE ADVISED MR. PHILLIPS THAT THE AGENCY REGARDED HIS PROGRAM AS "SERIOUSLY MISLEADING." SIX OR SEVEN WEEKS LATER, COUNSEL REPRESENTING MR. PHILLIPS CONTACTED THE GENERAL COUNSEL'S OFFICE AND INITIATED DISCUSSIONS ABOUT THE POSSIBILITY OF ADDING A DISCLAIMER TO THE PROGRAM.

ALTHOUGH THERE WERE SOME DISCUSSIONS BETWEEN COUNSEL ABOUT *INCLUSION OF A DISCLAIMER, THESE CONVERSATIONS ULTIMATELY LED* TO NO RESOLUTION.

SBA BELIEVES THAT IN ORDER TO HELP DISPEL SOME OF THE CONFUSION AND MISLEADING CONTENT OF THE PROGRAM, THE FOLLOWING SHOULD BE ADDRESSED:

FIRST, IT MUST BE CLEAR THAT THE PROGRAM IS A COMMERCIAL AND NOT A TALK-SHOW;

SECOND, IT MUST ALSO BE CLEAR THAT THERE IS NO FEDERAL GOVERNMENT GRANT PROGRAM FOR STARTING A BUSINESS, AND THAT SPECIFICALLY, THERE IS NONE WITHIN THE SBA;

AND FINALLY, GRANTS MUST CLEARLY BE DISTINGUISHED FROM LOANS AND FROM GOVERNMENT CONTRACTS, AND IT SHOULD BE CLEAR THAT LOANS MUST BE PAID BACK, AND THAT GOVERNMENT CONTRACTS REQUIRE PERFORMANCE BY THE BUSINESS RECEIVING THE CONTRACT.

AT THIS TIME, SBA DOES NOT KNOW THE CONTENT OF OR FREQUENCY OF DISCLAIMERS BEING AIRED WITH THE PROGRAM. AGENCY OFFICIALS HAVE RECEIVED INFORMAL REPORTS OF DISCLAIMERS APPEARING IN SOME MARKET AREAS. WHILE IT IS THE SBA'S VIEW THAT A UNIFORM DISCLAIMER APPEARING EACH TIME WOULD HELP CORRECT THE

MISLEADING NATURE OF THE PROGRAM, THE SBA DEFERS TO THE FTC AS TO WHETHER ANY PARTICULAR DISCLAIMER WOULD BE SUFFICIENT BY THEIR STANDARDS TO OVERCOME THE MISLEADING CONTENT OF THE PROGRAM.

THERE ARE MANY SERVICES AVAILABLE THROUGH THE SBA TO HELP PEOPLE START AND MANAGE THEIR BUSINESS. BUSINESS DEVELOPMENT WORKSHOPS AND CONFERENCES ARE HELD FOR SMALL BUSINESSES ON A VARIETY OF TOPICS, INCLUDING SEMINARS ON STARTING A BUSINESS, HOW TO DEVELOP A BUSINESS PLAN, AND HOW TO DO BUSINESS WITH THE GOVERNMENT. PROCUREMENT CONFERENCES USUALLY PROVIDE BOTH "HOW TO" SESSIONS ON PREPARING A BID AND HOW TO GET ON BIDDING LISTS. PROCUREMENT OFFICIALS FROM THE FEDERAL, STATE AND LOCAL GOVERNMENTS ARE INVITED TO PARTICIPATE IN THESE CONFERENCES

IN ADDITION, SBA PROVIDES FINANCING TO SMALL BUSINESS THROUGH DIRECT LOANS AND THROUGH A GUARANTEED LOAN PROGRAM WHICH WORKS IN COOPERATION WITH PARTICIPATING COMMERCIAL LENDERS. OUR DIRECT LOANS ARE AVAILABLE TO ELIGIBLE VIETNAM-ERA VETERANS, CERTAIN DISABLED VETERANS OF ANY ERA, AND ELIGIBLE HANDICAPPED PERSONS.

SIMILARLY, IN JUNE, FIRMS OWNED BY SOCIALLY AND ECONOMICALLY DISADVANTAGED PERSONS WILL BE ELIGIBLE FOR DIRECT LOANS BY SBA, UNDER CERTAIN CONDITIONS, AS MANDATED BY PUB. L. 100-656. THESE ARE NOT, HOWEVER, GRANTS OR FREE MONEY.

SBA OFFERS FOR A NOMINAL CHARGE A WHOLE LINE OF BUSINESS DEVELOPMENT PUBLICATIONS INCLUDING FOUR DIFFERENT BUSINESS PLANS WHICH SELL FOR ONE DOLLAR EACH; MARKETING OVERSEAS, ONE DOLLAR; US GOVERNMENT PURCHASING AND SALES DIRECTORY, FIVE DOLLARS.

HELP IS ALSO AVAILABLE ON A ONE-ON-ONE BASIS THROUGH THE SERVICE CORPS OF RETIRED EXECUTIVES (SCORE) AND THROUGH THE SMALL BUSINESS DEVELOPMENT CENTERS MANY OF WHICH ARE AFFILIATED WITH COLLEGES AND UNIVERSITIES NATIONWIDE AND ARE FUNDED IN PART BY COOPERATIVE AGREEMENTS WITH THE SBA.

AS I MENTIONED EARLIER, THE SMALL BUSINESS INNOVATION RESEARCH PROGRAM ASSISTS SMALL SPECIALIZED HIGH TECHNOLOGY FIRMS TO DEVELOP NEW AND INNOVATIVE PRODUCTS OR SERVICES.

SBA ENCOURAGES PEOPLE INTERESTED IN SMALL BUSINESS PROGRAMS TO CONTACT THEIR LOCAL SBA OFFICES FOR ADDITIONAL INFORMATION ON THESE AND OTHER SBA PROGRAMS.

ONCE AGAIN, I APPRECIATE YOUR HOLDING THIS HEARING TODAY. I WILL BE HAPPY TO ANSWER ANY QUESTIONS YOU MAY HAVE.

ATTACHMENTS

Executive Order 11625

Prescribing Additional Arrangements for Developing and Coordinating a National Program for Minority Business Enterprise

The opportunity for full participation in our free enterprise system by socially and economically disadvantaged persons is essential if we are to obtain social and economic justice for such persons and improve the functioning of our national economy.

The Office of Minority Business Enterprise, established in 1969, greatly facilitated the strengthening and expansion of our minority enterprise program. In order to take full advantage of resources and opportunities in the minority enterprise field, we now must build on this foundation. One important way of improving our efforts is by clarifying the authority of the Secretary of Commerce (a) to implement Federal policy in support of the minority business enterprise program; (b) provide additional technical and management assistance to disadvantaged businesses; (c) to assist in demonstration projects; and (d) to coordinate the participation of all Federal departments and agencies in an increased minority enterprise effort.

NOW, THEREFORE, by virtue of the authority vested in me as President of the United States, it is ordered as follows:

SECTION 1. *Functions of the Secretary of Commerce.* (a) The Secretary of Commerce (hereinafter referred to as "the Secretary") shall—

(1) Coordinate as consistent with law the plans, programs, and operations of the Federal Government which affect or may contribute to the establishment, preservation, and strengthening of minority business enterprise.

(2) Promote the mobilization of activities and resources of State and local governments, businesses and trade associations, universities, foundations, professional organizations, and volunteer and other groups towards the growth of minority business enterprises, and facilitate the coordination of the efforts of these groups with those of Federal departments and agencies.

(3) Establish a center for the development, collection, summarization, and dissemination of information that will be helpful to persons and organizations throughout the Nation in undertaking or promoting the establishment and successful operation of minority business enterprise.

(4) Within constraints of law and appropriations therefor, and according to his discretion, provide financial assistance to public and private organizations so that they may render technical and management assistance to minority business enterprises, and defray all or part of the costs of pilot or demonstration projects conducted by public or private agencies or organizations which are designed to overcome the special problems of minority business enterprises or otherwise to further the purposes of this order.

(b) The Secretary, as he deems necessary or appropriate to enable him to better fulfill the responsibilities vested in him by subsection (a), may—

(1) With the participation of other Federal departments and agencies as appropriate, develop comprehensive plans and specific program goals for the minority enterprise program; establish regular performance monitoring and reporting systems to assure that goals are being achieved; and evaluate the impact of Federal support in achieving the objectives established by this order.

(2) Require a coordinated review of all proposed Federal training and technical assistance activities in direct support of the minority enterprise program to assure consistency with program goals and to avoid duplication.

(3) Convene, for purposes of coordination, meetings of the heads of such departments and agencies, or their designees, whose programs and activities may affect or contribute to the purposes of this order.

(4) Convene business leaders, educators, and other representatives of the private sector who are engaged in assisting the development of minority business enterprise or who could contribute to its development, for the purpose of proposing, evaluating and coordinating governmental and private activities in furtherance of the objectives of this order.

(5) Confer with and advise officials of State and local governments.

(6) Provide the managerial and organizational framework through which joint or collaborative undertakings with Federal departments or agencies or private organizations can be planned and implemented.

(7) Recommend appropriate legislative or executive actions.

SEC. 2. *Advisory Council for Minority Enterprise.* (a) The Advisory Council for Minority Enterprise (hereinafter referred to as "the Council"), established by Executive Order No. 11458 of March 5, 1969, shall continue in existence under the terms of this order.

(b) The Council shall be composed of members appointed by the President from among persons, including members of minority groups and representatives from minority business enterprises, who are knowledgeable in this field and who are dedicated to the purposes of this order. The members shall serve for a term of two years and may be reappointed.

(c) The President shall designate one of the members of the Council as the Chairman of the Council.

(d) The Council shall meet at the call of the Secretary.

(e) The Council shall be advisory to the Secretary in which capacity it shall—

(1) Serve as a source of knowledge and information on developments in different fields and segments of our economic and social life which affect minority business enterprise.

(2) Keep abreast of plans, programs, and activities in the public and private sectors which relate to minority business enterprise, and advise the Secretary on any measures to better achieve the objectives of this order.

(3) Consider, and advise the Secretary, and such officials as he may designate, on problems and matters referred to the Council.

(f) For the purposes of Executive Order No. 11007 of February 26, 1962, the Council shall be deemed to have been formed by the Secretary.

(g) Members of the Council shall be entitled to receive travel and expenses, including per diem in lieu of subsistence, as authorized by law (5 U.S.C. 5701-5708) for persons in the Government service employed intermittently.

(h) The Secretary shall arrange for administrative support of the Council to the extent necessary, including use of any gifts or bequests accepted by the Department of Commerce pursuant to law.

Sec. 3. *Responsibilities of Other Federal Departments and Agencies.* (a) The head of each Federal department and agency, or a representative designated by him, when and in the manner so requested by the Secretary, shall furnish information, assistance, and reports to, and shall otherwise cooperate with, the Secretary in the performance of his functions hereunder.

(b) The head of each Federal department or agency shall, when so requested by the Secretary, designate his Under Secretary or such other similar official to have primary and continuing responsibility for the participation and cooperation of that department or agency in matters concerning minority business enterprise.

(c) The officials designated under the preceding paragraph, when so requested, shall review and report to the Secretary upon the policies and programs of the minority business enterprise program, and shall keep the Secretary informed of all proposed budgets, plans and programs of his department or agency affecting minority business enterprise.

(d) The head of each Federal department or agency, or a representative designated by him, shall, to the extent provided under regulations issued by the Secretary after consultation with the official designated in paragraph (b) above, report to the Secretary on any activity that falls within the scope of the minority business enterprise program as defined herein and in those regulations.

(e) Each Federal department or agency shall, within constraints of law and appropriations therefor, continue all current efforts to foster and promote minority business enterprises and to support the program herein set forth, and shall cooperate with the Secretary of Commerce in increasing the total Federal effort.

Sec. 4. *Reports.* The Secretary shall, not later than 120 days after the close of each fiscal year, submit to the President a full report of his activities hereunder during the previous fiscal year. Further, the Secretary shall, from time to time, submit to the President his recommendations for legislation or other action as he deems desirable to promote the purposes of this order. Each Federal department or agency shall report to the Secretary as hereinabove provided on a timely basis so that the Secretary may consider such reports for his report and recommendations to the President. Each Federal department or agency shall develop and implement systematic data collection processes which will provide to the Office of Minority Business Enterprise Information Center current data helpful in evaluating and promoting the efforts herein described.

Sec. 5. *Policies and Standards.* The Secretary may establish such policies, standards, definitions, criteria, and procedures to govern the implementation, interpretation, and application of this order, and generally perform such functions and take such steps as he may deem to be necessary or appropriate to achieve the purposes and carry out the provisions hereof.

Sec. 6. *Definitions.* For purposes of this order, the following definitions shall apply:

(a) "Minority business enterprise" means a business enterprise that is owned or controlled by one or more socially or economically disadvantaged persons. Such disadvantage may arise from cultural, racial, chronic economic circumstances or background or other similar cause. Such persons include, but are not limited to, Negroes, Puerto Ricans, Spanish-speaking Americans, American Indians, Eskimos, and Aleuts.

(b) "State" means the States of the United States, the District of Columbia, the Commonwealth of Puerto Rico, the territories and possessions of the United States, and the Trust Territory of the Pacific Islands.

Sec. 7. *Construction.* Nothing in this order shall be construed as subjecting any function vested in, or assigned pursuant to law to, any Federal department or agency or head thereof to the authority of any other agency or office exclusively, or as abrogating or restricting any such function in any manner.

Sec. 8. *Prior Executive Order.* Executive Order No. 11458 of March 5, 1969, is hereby superseded.

Richard Nixon

The White House,
October 13, 1971.

---

36 F.R. 19967

ATTACHMENT 2

National Women's Business Enterprise Policy

Executive Order 12138 of May 18, 1979

Creating a National Women's Business Enterprise Policy and Prescribing Arrangements for Developing, Coordinating and Implementing a National Program for Women's Business Enterprise

In response to the findings of the Interagency Task Force on Women Business Owners and congressional findings that recognize:

1. the significant role which small business and women entrepreneurs can play in promoting full employment and balanced growth in our economy;

2. the many obstacles facing women entrepreneurs; and

3. the need to aid and stimulate women's business enterprise;

By the authority vested in me as President of the United States of America, in order to create a National Women's Business Enterprise Policy and to prescribe arrangements for developing, coordinating and implementing a national program for women's business enterprise, it is ordered as follows:

1-1. *Responsibilities of the Federal Departments and Agencies.*

1-101. Within the constraints of statutory authority and as otherwise permitted by law:

(a) Each department and agency of the Executive Branch shall take appropriate action to facilitate, preserve and strengthen women's business enterprise and to ensure full participation by women in the free enterprise system.

(b) Each department and agency shall take affirmative action in support of women's business enterprise in appropriate programs and activities including but not limited to:

(1) management, technical, financial and procurement assistance,

(2) business-related education, training, counseling and information dissemination, and

(3) procurement.

(c) Each department or agency empowered to extend Federal financial assistance to any program or activity shall issue regulations requiring the recipient of such assistance to take appropriate affirmative action in support of women's business enterprise and to prohibit actions or policies which discriminate against women's business enterprise on the ground of sex. For purposes of this subsection, Federal financial assistance means assistance extended by way of grant, cooperative agreement, loan or contract other than a contract of insurance or guaranty. These regulations shall prescribe sanctions for noncompliance. Unless otherwise specified by law, no agency sanctions shall be applied until the agency or department concerned has advised the appropriate person or persons of the failure to comply with its regulations and has determined that compliance cannot be secured by voluntary means.

1-102. For purposes of this Order, affirmative action may include, but is not limited to, creating or supporting new programs responsive to the special needs of women's business enterprise, establishing incentives to promote business or business-related opportunities for women's business enterprise, collecting and disseminating information in support of women's business enterprise, and insuring to women's business enterprise knowledge of and ready access to business-related services and resources. If, in implementing this Order, an agency undertakes to use or to require compliance with numerical set-asides, or similar measures, it shall state the purpose of such measure, and the measure shall be designed on the basis of pertinent factual findings of discrimination against women's business enterprise and the need for such measure.

1-103. In carrying out their responsibilities under Section 1-1, the departments and agencies shall consult the Department of Justice, and the Department of Justice shall provide legal guidance concerning these responsibilities.

1-2. *Establishment of the Interagency Committee on Women's Business Enterprise.*

1-201. To help insure that the actions ordered above are carried out in an effective manner, I hereby establish the Interagency Committee on Women's Business Enterprise (hereinafter called the Committee).

1-202. The Chairperson of the Committee (hereinafter called the Chairperson) shall be appointed by the President. The Chairperson shall be the presiding officer of the Committee and shall have such duties as prescribed in this Order or by the Committee in its rules of procedure. The Chairperson may also represent his or her department, agency or office on the Committee.

1-203. The Committee shall be composed of the Chairperson and other members appointed by the heads of departments and agencies from among high level policy-making officials. In making these appointments, the recommendations of the Chairperson shall be taken into consideration. The following departments and agencies and such other departments and agencies as the Chairperson shall select shall be members of the Committee: the Departments of Agriculture; Commerce; Defense; Energy; Health, Education, and Welfare; Housing and Urban Development; Interior; Justice; Labor; Transportation; Treasury; the Federal Trade Commission; General Services Administration; National Science Foundation; Office of Federal Procurement Policy; and the Small Business Administration. These members shall have a vote. Nonvoting members shall include the Executive Director of the Committee and at least one but no more than three representatives from the Executive Office of the President appointed by the President.

1-204. The Committee shall meet at least quarterly at the call of the Chairperson, and at such other times as may be determined to be useful according to the rules of procedure adopted by the Committee.

1-205. The Administrator of the Small Business Administration shall provide an Executive Director and adequate staff and administrative support for the Committee. The staff shall be located in the Office of the Chief Counsel for Advocacy of the Small Business Administration, or in such other office as may be established specifically to further the policies expressed herein. Nothing in this Section prohibits the use of other properly available funds and resources in support of the Committee.

1-3. *Functions of the Committee.* The Committee shall in a manner consistent with law:

1-301. Promote, coordinate and monitor the plans, programs and operations of the departments and agencies of the Executive Branch which may contribute to the establishment, preservation and strengthening of women's business enterprise. It may, as appropriate, develop comprehensive interagency plans and specific program goals for women's business enterprise with the cooperation of the departments and agencies.

1-302. Establish such policies, definitions, procedures and guidelines to govern the implementation, interpretation and application of this order, and generally perform such functions and take such steps as the Committee may deem to be necessary or appropriate to achieve the purposes and carry out the provisions hereof.

1–303. Promote the mobilization of activities and resources of State and local governments, business and trade associations, private industry, colleges and universities, foundations, professional organizations, and volunteer and other groups toward the growth of women's business enterprise, and facilitate the coordination of the efforts of these groups with those of the departments and agencies.

1–304. Make an annual assessment of the progress made in the Federal Government toward assisting women's business enterprise to enter the mainstream of business ownership and to provide recommendations for future actions to the President.

1–305. Convene and consult as necessary with persons inside and outside government to develop and promote new ideas concerning the development of women's business enterprise.

1–306. Consider the findings and recommendations of government and private sector investigations and studies of the problems of women entrepreneurs, and promote further research into such problems.

1–307. Design a comprehensive and innovative plan for a joint Federal and private sector effort to develop increased numbers of new women-owned businesses and larger and more successful women-owned businesses. The plan should set specific reasonable targets which can be achieved at reasonable and identifiable costs and should provide for the measurement of progress towards these targets at the end of two and five years. Related outcomes such as income and tax revenues generated, jobs created, new products and services introduced or new domestic or foreign markets created should also be projected and measured in relation to costs wherever possible. The Committee should submit the plan to the President for approval within six months of the effective date of this Order.

1–4. *Other Responsibilities of the Federal Departments and Agencies.*

1–401. The head of each department and agency shall designate a high level official to have the responsibility for the participation and cooperation of that department or agency in carrying out this Executive order. This person may be the same person who is the department or agency's representative to the Committee.

1–402. To the extent permitted by law, each department and agency upon request by the Chairperson shall furnish information, assistance and reports and otherwise cooperate with the Chairperson and the Committee in the performance of their functions hereunder. Each department or agency shall ensure that systematic data collection processes are capable of providing the Committee current data helpful in evaluating and promoting the efforts herein described.

1–403. The officials designated under Section 1–401, when so requested, shall review the policies and programs of the women's business enterprise program, and shall keep the Chairperson informed of proposed budget, plans and programs of their departments or agencies affecting women's business enterprise.

1–404. Each Federal department or agency, within constraints of law, shall continue current efforts to foster and promote women's business enterprise and to support the program herein set forth, and shall cooperate with the Chairperson and the Committee in increasing the total Federal effort.

1–5. *Reports.*

1–501. The Chairperson shall, promptly after the close of the fiscal year, submit to the President a full report of the activities of the Committee hereunder during the previous fiscal year. Further, the Chairperson shall, from time to time, submit to the President the Committee's recommendations for legislation or other action to promote the purposes of this Order.

1–502. Each Federal department and agency shall report to the Chairperson as hereinabove provided on a timely basis so that the Chairperson and the Committee can consider such reports for the Committee report to the President.

1–6. *Definitions.* For the purposes of this Order, the following definitions shall apply:

1–601. "Women-owned business" means a business that is at least 51 percent owned by a woman or women who also control and operate it. "Control" in this context means exercising the power to make policy decisions. "Operate" in this context means being actively involved in the day-to-day management.

1–602. "Women's business enterprise" means a woman-owned business or businesses or the efforts of a woman or women to establish, maintain or develop such a business or businesses.

1–603. Nothing in subsections 1–601 or 1–602 of this Section (1–6) should be construed to prohibit the use of other definitions of a woman-owned business or women's business enterprise by departments and agencies of the Executive Branch where other definitions are deemed reasonable and useful for any purpose not inconsistent with the purposes of this Order. Wherever feasible, departments and agencies should use the definition of a woman-owned business in subsection 1–601 above for monitoring performance with respect to women's business enterprise in order to assure comparability of data throughout the Federal Government.

1–7. *Construction.* Nothing in this Order shall be construed as limiting the meaning or effect of any existing Executive order.

Jimmy Carter

THE WHITE HOUSE,
May 18, 1979.

44 F.R. 29637
May 22, 1979

(Next page is page 901)

ATTACHMENT 3

SBA News

U.S. Small Business Administration
Washington, DC 20416

SBA Number: 88-57

Release Date: Friday, December 9, 1988

For more information
contact: Susan Clifford
(202) 653-6822

CONSUMERS BEWARE: AUTHOR'S CLAIMS NOT WHAT THEY APPEAR

Washington, D.C., Dec. 9 --- The age-old warning, "let the buyer beware" seems to apply to a situation springing up around the country in recent weeks. The confusion stems from a television show called MONEY, MONEY, MONEY.

To the viewing public this 30 minute show appears to be a routine talk show, but it is actually a paid advertisement for a publication written by Wayne Phillips of Scottsdale, Arizona, called HOW TO START YOUR OWN BUSINESS BY DOING BUSINESS WITH THE GOVERNMENT. The show is inaccurate in some respects, at least as to any programs under SBA, and it is confusing and misleading for people not familar with government programs.

Mr. Phillips erroneously states that under two different Executive Orders, 11625 signed by President Nixon in 1971, and 12138 signed by President Carter in 1979, there is money specifically set-aside for women and minorities. These Executive Orders do direct federal agencies to make available all of the resources of the agency, on a fair and

-more-equitable basis, to women and minority business owners but do not provide for a special financial set-aside program.

The U.S. Small Business Administration (SBA) has received hundreds of calls in offices all over the country. While SBA does provide assistance to people who own small businesses and those who are considering opening a business, the type of grant or award money mentioned on the show does not exist at SBA.

SBA provides financial assistance primarily through it's Guarantee Loan program. In this situation, SBA becomes a guarantor on a loan made by a commerical lending institution. Management and technical assistance is also available free of charge in most instances. The Agency can provide assistance to small businesses who want to do business with the federal government.

Information on this assistance and other SBA programs is available from local SBA offices or by calling toll free 1-800-368-5855.

# # # # # # #

U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

ATTACHMENT [illegible]

November [illegible], [illegible]

M E M O R A N D U M

To: [illegible]

From: [illegible]
Assistant Administrator
for Public Communications

Subject: MONEY, MONEY, MONEY Cable TV Show

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

says listen to the people who tell you what you can do and not what you can't do. I would also suggest that you point out any local assistance programs in the community that would fit with the callers' business plans. You might also indicate that all of the information contained in Phillips' $50 publication is available at no cost in the local library. For those of you getting these calls in the field the situation has become more of a public relations problem than a legal problem and should be handled accordingly.

Should you have any questions or require further information regarding this matter please contact Juanita Weaver or Susan Clifford in the Office of Public Communications.

ATTACHMENT 3

U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

[illegible]

Jerome M. Steiner, Jr.
Federal Trade Commission
901 Market Street, Suite 570
San Francisco, California 94103

Re: Wayne Phillips

Dear Mr. Steiner:

I am sure you will recall our conversation regarding Mr. Wayne Phillips and his television "show", which amounts to a one-half hour long commercial to sell a book called "How to Start Your Own Business by Doing Business with the Government". This commercial takes the form of a studio talk show which is called "Money-Money-Money".

As I indicated, my Agency has been receiving a large number of calls from people who have seen the television show inquiring about the Government "programs" which the show suggests exist. The callers become upset when they learn that we have no programs as described by Mr. Phillips. I have not had an opportunity to survey our Agency around the country, but we have definitely received inquiries from Vermont, Georgia, Arizona and Texas. The Agency also maintains an Answer Desk in Washington, D.C., and the Answer Desk has been receiving hundreds of calls about the show. Various Congressional offices have also been inquiring since they have received inquiries from their constituents.

I enclose for your review and consideration a copy of the video tape of the show. I also have a copy of the book should you wish to see that after viewing the tape. My quick perusal of the book suggests that it in itself contains no direct misrepresentations. The problem is that the public is being misled by the TV show into thinking that Government programs exist which don't exist (at least within my Agency), and that this book will further explain and assist them in taking advantage of these nonexistent programs.

I think you will agree after reviewing the tape that there is a [illegible] message [illegible] the viewer that there are free Government programs and funds available for anyone, but especially minorities and women, to start their own business. This I think is terribly deceptive. The Government, of course, has grant programs of various kinds, and grant money need not be repaid. But there is no grant program in my Agency which gives money to people to start their own business. The book which the viewers are urged to buy contains very little, if any, information about Government grants. Instead, it focuses on Government loan programs and Government contract programs and, as I indicated above, the book by itself seems to be a rather harmless publication, at least to the extent it tries to describe SBA programs.

I enclose a copy of my letter to Mr. Phillips, as well as a copy of an Agency internal memorandum advising our various field offices as to how to respond to these telephone calls.

Please let me know your views once you have had an opportunity to consider the videotape.

Sincerely

David R. Kohler
Associate General Counsel

Enclosures:

Memorandum dated November 10, 1988
Letter to Phillips dated November 22, 1988

TESTIMONY OF

WILLIAM MACLEOD

ON BEHALF OF THE
FEDERAL TRADE COMMISSION

Before

HOUSE COMMITTEE ON SMALL BUSINESS
SUBCOMMITTEE ON EXPORTS, TOURISM,
AND SPECIAL PROBLEMS

Washington, D.C.

May 2, 1989

Good Morning.

My name is William MacLeod, and I am the Director of the Federal Trade Commission's Bureau of Consumer Protection. I appreciate the opportunity to appear before you today on behalf of the Commission to discuss the FTC's role in the regulation of television advertising, and particularly of program-length advertising or so-called "infomercials." Before commenting on program-length advertising, let me provide the Subcommittee with some background on the Commission and on the legal basis for its enforcement activities with respect to advertising practices.

I. FTC AUTHORITY

The Federal Trade Commission is an agency with broad responsibility for protecting and enhancing consumer welfare. Although the Commission has been given enforcement authority for a wide variety of statutes over the years, its principal authority derives from Section 5 of the Federal Trade Commission Act.[1] That Section declares that "unfair or deceptive acts or practices in or affecting commerce" are unlawful.

---

[1] 15 U.S.C. § 45 *et seq.* (1988 Supp.).

An important component of the Commission's consumer protection mission is the monitoring and regulation of advertising. The FTC staff monitors national advertising in both print and broadcast media on a regular basis. In addition to our monitoring, both competitor and consumer complaints are an important source of information concerning potentially deceptive advertisements. Finally, referrals from other government agencies and state and local consumer protection agencies often are another important source of leads.

Traditionally, the Commission has exercised its authority in the advertising arena through its Section 5 power to regulate "deceptive" acts or practices. Deception is a particularly troublesome form of conduct. It is harmful to consumers and undermines the rational functioning of the marketplace. As the Commission has outlined in previous opinions,[2] a deception case requires a three-part showing: (1) there must be a representation, practice, or omission likely to mislead consumers; (2) the consumers must be interpreting the message reasonably under the circumstances; and (3) the misleading effects must be "material," that is, likely to affect consumers' conduct or decision with regard to a product. The Commission's deception analysis thus focuses on a risk of consumer harm; actual injury need not be shown.

---

[2] See, e.g., Int'l Harvester Co., 104 F.T.C. 949, 1061 (1984), appeal dismissed, No. 85-1111 (D.C. Cir. 1985); Cliffdale Associates, Inc., 103 F.T.C. 110 (1984).

First, there must be a representation, practice, or omission that is likely to mislead the consumer. The essence of deception is its misleading effects, and the Commission therefore requires some evidence that this undesirable consequence is indeed likely to come about. However, evidence of actual false beliefs is not required.

Second, consumers must be interpreting the advertisement reasonably under the circumstances.[3] A company cannot be liable for every possible reading of its claims, no matter how far-fetched. The Commission therefore requires that the consumer interpretation in any particular case be reasonable. The Commission, however, does not require evidence that a claim has been interpreted in a certain way by some threshold number of consumers. Consumers acting reasonably under the circumstances are those who have acted in a way consistent with the broad range of ordinary or average people.[4]

---

[3] See Letter from Federal Trade Commission to the Honorable John Dingell (Deception Statement), reprinted in Cliffdale Associates, Inc., 103 F.T.C. 110, 174 (1984). This part of the analysis focuses only on the likely interpretation of a claim, not the reasonableness of the consumer's decision to accept or believe it. For example, an express claim for a baldness cure likely would be interpreted by a reasonable consumer as meaning what it said. The Commission would not examine whether the consumer's reliance on the claim was reasonable.

[4] This range applies to any relevant quality, such as intelligence, experience, or credulity. If the representations or sale practices are targeted to a specific audience, then reasonable consumers are representative members of that group.

Third, the misleading effects of an advertisement must be material. A material effect is one that is likely to influence a consumer's conduct or purchase decision. The Commission therefore requires that the seller's conduct be likely to distort the ultimate exercise of consumer choice. The Commission presumes that all express claims are material, and that implied claims are material if they pertain to the central characteristics of the product, such as its safety, cost, or fitness for the purpose sold. The Commission's reasoning here is that the seller is in the best position to assess the effects of his ads, and if he finds it beneficial to make such claims it must be because they are likely to have an influence on consumers.

Actionable deception is not limited to false or misleading statements. Under two general circumstances deception can result from omissions in advertisements. First, it can be deceptive to tell only half the truth and omit the rest. This may occur where a seller fails to disclose qualifying information necessary to prevent one of his affirmative statements from creating a misleading impression. It can also be deceptive for a seller simply to remain silent if he does so under circumstances that constitute an implied, but false, representation.

To be unlawful, however, advertising need not necessarily be deceptive. It may also violate the FTC Act if it is "unfair."

The unfairness theory historically has been directed primarily at practices other than advertising (such as coercive sales practices).[5] Nonetheless, the Commission has relied on this theory to challenge successfully restrictions on truthful advertising as well as advertising that raises significant health risks. For example, it served as an alternative basis for the Commission's early trade regulation rule requiring health warnings in cigarette advertising.[6]

In 1980, the Commission issued a Policy Statement that spells out in some detail the criteria that the Commission examines to determine whether or not a practice is unfair.[7] According to the Policy Statement, the primary criterion for determining whether an advertisement is unfair is consumer injury. More specifically, in considering whether an advertisement is unfair, the Commission looks to whether the advertisement is likely to result in consumer injury that:

---

[5] *See* Companion Statement to Letter from Commission to Honorable Wendell H. Ford and John C. Danforth (December 17, 1980)("Unfairness Policy Statement"), appended to *International Harvester Co.*, 104 F.T.C. 949, *appeal dismissed*, No. 85-1111 (D.C. Cir. 1985); *Orkin Corporation*, 108 F.T.C. 263 (1986), *aff'd*, 849 F.2d 1354 (11th Cir. 1988), *cert. denied*, 109 S. Ct. 865 (1989).

[6] The Commission's current appropriation prohibits expenditures of Commission funds for the purpose of initiating any rulemaking prohibiting or regulating commercial advertising based on the Commission's unfairness jurisdiction.

[7] *See* Letter from Commission to Honorable Wendell H. Ford and John C. Danforth (December 17, 1980)("Unfairness Policy Statement").

(1) Is substantial;

(2) Is not outweighed by countervailing benefits to consumers or competition; and

(3) Is an injury that consumers themselves could not reasonably have avoided.[8]

The third major aspect of the Commission's effort to prevent unfair and deceptive advertising is its advertising substantiation program. This program is founded on the principle that it is unfair and deceptive for an advertiser to make an objective product claim, unless the advertiser has a reasonable basis for believing the claim to be true at the time it is made.[9]

The key question in evaluating whether a claim is substantiated is, how much substantiation is enough? As the Commission's policy statement on advertising substantiation makes clear, and consistent with recent court decisions upholding the Commission's authority to require substantiation,[10] the level of substantiation an advertiser must have for any given claim will vary depending on the type of claim made. For example, claims that therapeutic benefits for drug products have been established by scientific testing or that a particular drug is effective to treat a particular disease will demand a much higher level of substantiation than claims concerning the effectiveness of a carpet cleaner. In the latter case, the Commission might simply require _some_ evidence or reason to believe that the product works, while in the former case the Commission might demand some quantum of scientific evidence, perhaps even controlled clinical studies, in support of the claim.

---

[8] Int'l. Harvester Co., 104 F.T.C. 949, 1061 (1984), appeal dismissed, No. 85-1111 (D.C. Cir. 1985).

[9] See generally FTC Policy Statement Regarding Advertising Substantiation, 49 Fed. Reg. 30999-31001 (August 2, 1984); Thompson Medical Company, 104 F.T.C. 648, 839-42 (1984), aff'd, 791 F.2d 189 (D.C. Cir. 1986), cert. denied, 107 S. Ct. 1289 (1987). In substantiation investigations, the staff also considers whether industry self-regulation can resolve the issue without action by the government. Each of the major networks maintain a vigorous advertising clearance mechanism and the industry self-regulatory system, operated by the Better Business Bureau's National Advertising Division, handles more than 100 substantiation cases each year.

[10] See, e.g., Thompson Medical Co., supra, 791 F.2d at 194-95.

II. PROGRAM-LENGTH COMMERCIALS

With this general background in mind, let me turn to the specific subject of these hearings, the relatively new form of advertising, program-length commercials. These are commercials which, unlike the typical broadcast ad of 60-seconds or less, may run for 30 minutes or more. A number of these ads have appeared in "talk show" or "investigative report" format.

The Commission staff has no quantitative data on the extent to which program-length commercials are being aired on television. Some reports, however, estimate that the volume of such long-form advertising will increase by over 20% this year.

accounting for an estimated $125 million[11] to $160 million[12] dollars worth of air time. These estimates indicate that the volume of program-length advertising is substantial -- and growing. Still, it is important to recognize that this form of advertising represents less than one percent of the over $19 billion spent on all broadcast advertising last year.

Our own ad monitoring suggests that the program-length advertisements seem to be appearing primarily on independent TV and cable TV networks. However, there are reports that some program-length advertising is being carried by network affiliates.[13] Once these advertisements are produced they seem to be widely distributed. Industry sources reportedly claim that over 600 stations may be carrying these ads.[14] It is not uncommon to find the same program-length ad airing on both the east and west coasts, and many points in-between, at the same time. Moreover, as with other advertising, program-length advertisements tend to be shown repetitively, appearing on a regular basis on a particular station.

---

[11] Rosenthal, "Program-Length Ads Breakdown Most Broadcast Barriers," Television/Radio Age (December 26, 1988) at 59.

[12] Anderson, "Wanna Watch Miami Vice Or A Half-Hour Ad?," Business Week (November 28, 1988) at 114-15.

[13] Rosenthal, "Program-Length Ads Breakdown Most Broadcast Barriers," Television/Radio Age (December 26, 1988) at 59.

[14] Id.

The FTC has taken three public enforcement actions involving advertising claims made in program-length advertising. The first such action involved program-length advertising for sunglasses. In that case the Commission alleged that the advertisement had falsely claimed that a 30-minute ad called "Consumer Challenge" was an independent consumer program such as "60-Minutes" or "20/20." In addition, the Commission alleged that the ad falsely claimed that the producers and reporters appearing on Consumer Challenge had conducted an independent and objective investigation of the sunglasses being promoted. An administrative complaint and order settling that case were announced on November 1, 1988.[15]

The Commission's order in this case generally prohibits future misrepresentations by the company that any consumer product has been independently investigated, or that any advertisement is an independent consumer or news program. In addition, as a "fencing-in" provision -- that is, an added requirement to help ensure that a company alleged to have violated the law does not do so in the future -- the order requires the company to disclose clearly and prominently that any program-length advertisement is an advertisement or a commercial. This disclosure must be made at the beginning of the program and as many as two additional times during the course of a half-hour commercial. Although the fencing-in provisions of this order sunset after 10 years, the order's basic prohibitions against future misrepresentations will remain in effect. Any violation of a Commission order is punishable through civil penalties of up to $10,000 per violation.[16]

---

[15] JS&A Group Inc., FTC Docket No. C-3248 (Nov. 1, 1988). The Commission's charges were settled by way of a consent agreement, without any admission of liability by the respondents.

In November 1988, the Commission also filed federal district court actions challenging representations made in widely-distributed program-length commercials for two hair loss products.[17] The Commission alleged that these ads contained false and unsubstantiated claims concerning the effectiveness of the two products in stopping hair loss and promoting new hair growth. One of these products is promoted through the use of a program-length commercial simulating an independent review of the product. The other product is promoted through a program-length commercial in the format of a consumer talk show. In the first case, we have introduced evidence in support of our request for preliminary relief that the format of the program enhanced the credibility of the allegedly deceptive product claims. However, the goal of the Commission's challenge in both of these cases is to obtain a federal court order enjoining the advertisements and to obtain redress for consumer injury caused by the alleged false and unsubstantiated claims concerning the effectiveness of the product. Our requests for preliminary injunctions were denied in one case and only recently granted in the other.[18]

---

[16] 15 U.S.C. Section 45(m)(1)(A) (1988 Supp.).

[17] FTC v. Pantron I Corp., Civ. No. 88-6696-RG (Ex) (C.D. Cal.) (Nov. 14, 1988); FTC v. California Pacific Research, Inc., CV-N-88-602-BRT (D. Nev,)(Nov. 14, 1988).

Because program-length commercials are an increasing form of advertising and may not be being reviewed for truthfulness and substantiation by some cable and independent TV stations before they are aired, they are accounting for an increasing portion of our investigative work. However, because FTC investigations are conducted on a non-public basis, I will not address here the number or nature of additional investigations involving program-length commercials.

There are clearly some types of program-length advertisements whose format is not deceptive. For example, "home shopping" type programs appear in a format that would seem to be clearly understood by almost all consumers to be commercial advertising. Similarly, many programs in which a real estate agent presents homes that are being offered for sale also appear in formats that are so clearly advertisements that it is unlikely that they could be confused with actual programming. In contrast, when there are express representations that the advertisement is, in fact, an independent program, as there allegedly were in the sunglasses case discussed earlier, it may be fairly simple to conclude that deception has occurred.

---

[18] *FTC* v. *California Pacific Research, Inc.*, CV-N-88-602-BRT, Order Granting Preliminary Injunction (April 10, 1988).

The analysis of these advertisements becomes more complicated when there are no express representations concerning their nature. In such cases, the question is whether the format of the advertising makes an "implied claim" to the consumer that the material being viewed is something other than an advertisement. As discussed earlier, under Commission law, such advertisements are judged on the basis of the message they convey to a consumer acting reasonably in the circumstances.

In certain instances, the Commission can determine the implied claims made by an ad from the text of the advertisement itself; in others, the Commission may require extrinsic evidence of ad meaning, such as expert testimony or consumer research to determine whether the advertising is legally deceptive. Even if the claim is found to have been made, however, as I mentioned earlier, the Commission must also determine whether the misrepresentation is material, that is, whether the claim is likely to affect a consumer's choice of or conduct regarding a product. If the particular advertising format is deceptive, the Commission has the authority to require qualifying disclosures in the advertisements to correct that deception. Even if a program-length advertisement contains disclosures, however, its format may still be so suggestive of actual programming as to mislead reasonable consumers, in violation of Section 5 of the Federal Trade Commission Act.[19] In that event, the Commission might have to consider whether stronger disclosures would be effective, or whether the advertising format was inherently deceptive.

At the present time, the Commission staff is pursuing investigations on a case-by-case basis. Under this approach, we target advertisers who are using deceptive formats or making false product claims in program-length advertisements, and seek to obtain orders prohibiting such conduct in the future. In selecting targets for investigation and enforcement, the Commission staff has focused on those program-length commercials making the clearest representations that they are something other than advertisements. In addition, where program-length advertisements are used to make deceptive or unsubstantiated claims about a product, we believe it is especially important to attack the underlying claims, since it is these deceptive or unsubstantiated claims that are the source of the most serious consumer injury. In these cases, simply correcting possible problems with the format of the advertising will not eliminate the injury to consumers.

The Commission's recent actions have received relatively broad coverage in the trade press. In the event that individual law enforcement actions prove unsuccessful in eliminating the problem and deceptive program-length commercials appear to be widespread in the advertising industry, the Commission could initiate a rulemaking under Section 18 of the Federal Trade Commission Act. Section 18 provides the Commission with authority to issue rules that define with specificity unfair or deceptive acts or practices under the Federal Trade Commission Act. However, a rulemaking under Section 18 must be conducted in compliance with elaborate procedural requirements and can take several years to complete, diverting resources from other law enforcement activity. As a result, the Commission would not normally begin this process unless case-by-case enforcement proves to be ineffective in addressing the problem.

---

[19] See, Thompson Medical Company, supra, at 797-98.

As an alternative to a rulemaking, the Commission can also issue guides and formal statements of enforcement policy. FTC guides are administrative interpretations of the law administered by the Commission, provided for the guidance of the public. Unlike trade regulation rules, however, the guides are not themselves enforceable. Corrective action for violations of a guide must be taken under the applicable statutory provision they interpret.[20] Thus, guides are often appropriate in situations in which there is confusion about the law's requirements. They may also be appropriate in situations in which, through a program of case-by-case enforcement actions, the Commission has developed sufficient familiarity with a problem to be able to articulate a series of proscriptions that address most of the nuances of conduct that can be expected to arise in the ordinary course of business.

---

[20] See, 16 C.F.R. § 17 (1988).

The increasing enforcement activity of the Commission in this area should send a clear message to the sponsors of program-length ads that they, like traditional advertisers, must abide by the rules against deception. If our growing number of investigations, lawsuits, and orders does not deliver this message, then we will consider the additional options available to us.

Thank you, Mr. Chairman, for the opportunity to explain the Commission's efforts in this area. Public exposure in hearings such as these is an effective way to convey the message that we are serious about combatting deception in program-length advertising.

STATEMENT OF WILLIAM H. JOHNSON, DEPUTY CHIEF, MASS MEDIA BUREAU
FEDERAL COMMUNICATIONS COMMISSION

BEFORE THE
SUBCOMMITTEE ON EXPORTS, TOURISM, AND SPECIAL PROBLEMS
OF THE
HOUSE COMMITTEE ON SMALL BUSINESS
May 2, 1989

Mr. Chairman, Members of the Subcommittee, I appreciate the opportunity to appear before you this morning on behalf of the Federal Communications Commission to address a number of issues you have raised concerning so-called "infomercials" and Commission rules or policies that may be applicable to the broadcasting or cablecasting of these programs.

Infomercials, as I understand the term, are typically half hour or hour programs that are paid for by a sponsor to sell a particular product or service. The information that is dispensed during the program is part of or leads up to a direct or indirect commercial sales pitch. They are a particular variety of what the Commission has historically called "program-length commercials." Program-length commercials may involve, for example, home repair programs sponsored by and using the tools and supplies of a particular manufacturer; gardening and lawn care programs prepared and sponsored by an association of dealers in lawn and garden supplies; book review programs using time purchased by a book store; or financial advice programs sponsored by brokerage houses. Although there is considerable diversity among these programs, infomercials are frequently done in a format that suggests the program is a consumer oriented product review show.

As an initial matter, the Commission does not have any regulations that are specifically directed to programs of this type. From 1973 until 1984, the Commission did have processing guidelines applicable to the number of commercial minutes per hour that could be aired by television stations. Similarly, it had a policy cautioning licensees against the airing of program-length commercials on the basis that the broadcast of such programs would often result in violations of both the commercial guidelines and the then-existing program log keeping requirements. No such policies have ever been applied to programming on cable television systems, in part because they are not licensed by the Commission.

In 1984, as part of its "television deregulation" proceeding, the Commission eliminated these guidelines on commercialization, the program log keeping requirements and, as a consequence of the foregoing, its program-length commercial policy. This decision was based upon the confidence that the dramatic increase in broadcast stations together with competitive rivalry with other media were sufficient to limit the level of commercialization absent a Commission promulgated guideline. A series of Supreme Court decisions issued in the middle 1970s, that signaled a changing attitude toward the application of the First Amendment to commercial speech, also contributed toward this decision.

Although some argued that regulations were nonetheless necessary in order to prevent "excesses," the Commission believed that such guidelines could stifle broadcasters in their presentation of programs desired by their audiences and interpose the Commission between the broadcaster and its audience. Accordingly, the presentation of program-length commercials is not now violative of any provision of the Communications Act or of the Commission's rules. With this new flexibility, support is now available, through operations such as the Home Shopping Network, for some stations that might not otherwise have survived financially. Moreover, some programs are being broadcast, such as video tours of real estate listings, that save consumers substantial time and effort.

The Commission does become concerned, however, when violations of the Communications Act or the Commission's rules are present in a broadcast of a program-length commercial. It has been our experience that such violations most often involve a failure to provide the sponsorship identification announcements that are required by Section 317 of the Communications Act and Section 73.1212 of the Commission's rules. This is especially the case in infomercials that are deliberately made to appear as legitimate, objective, product review programs. Irrespective of whether the tape of film a broadcast station receives from the producer contains a sponsorship identification announcement, it is the responsibility of each licensee airing the program to assure that it is properly identified as paid for material and to name the sponsoring party. In the past six months the Commission has imposed sanctions against several licensees for their failure to broadcast sponsorship identification announcements in connection with infomercials concerning "Blu Blocker" sunglasses and "Helsinki Formula" hair restorative lotion.

I would like to briefly outline for the subcommittee the procedure that the Commission uses in handling this type of case. With almost 15,000 authorized broadcast stations and more than 8,000 franchised cable television systems in operation, the Commission must generally rely upon complaints from the public in the discharge of its enforcement duties. When it receives a complaint that, for instance, a licensee aired an infomercial but did not provide the required sponsorship identification announcement, the Commission channels the complaint directly to the Complaints and Investigations Branch of the Enforcement Division of the Mass Media Bureau. There, the complaint receives the prompt attention of an attorney or a trained broadcast analyst. If the complaint makes a threshold showing that the sponsorship identification requirements were not complied with, a letter of inquiry is directed to the licensee of the subject station. The letter of inquiry typically will pose specific questions to the licensee and require a response within a set period of time. When the response is received, the complaint and the licensee's response are reviewed. If further information is deemed necessary to an informed decision, it is required from the licensee. If no further information is necessary, a decision is made as to whether the subject requirements were complied with and, if not, what enforcement sanction is appropriate. The statute, for example, authorizes the Commission to impose monetary forfeitures of up to $20,000.

In cases where initial review of the complaint reveals that the crux of the complaint is that the program was false, deceptive or misleading, it is either forwarded directly to the Federal Trade Commission, or it is returned to the complainant with a note advising that the complaint is within the jurisdiction of that agency.

The existing statutory requirment for identification of sponsored material, along with other requirements of law pertaining to false, deceptive or misleading advertising, should, in our view, be sufficient to assure that the public is informed when it is viewing paid-for broadcast matter. When broadcasters fail to air the required announcements, our enforcement program sanctions offending licensees and, consequently, deters others in the broadcast community from violating their statutory and regulatory responsibilities.

Programs of this type also appear on cable television systems. While the Cable Communications Policy Act of 1984 placed most of the remaining cable regulatory responsibility on the local franchising authority, the Commission does have some residual regulatory responsibilities. The sponsorship identification requirements of the Communications Act do not, by their terms, apply to cable television operations. However, the Commission has adopted its own rules, Section 76.221, which imposes identification requirements on cable systems similar to those the statute imposes on broadcasters.

Again, I thank you for the opportunity to present the Commission's views on this subject. I would be happy to respond to any questions you may have.

CONFERENCE OF SOUTHWEST FOUNDATIONS
POST OFFICE BOX 8832 • CORPUS CHRISTI, TEXAS 78468-8832

TELEPHONE 512/853-1664

PRESIDENT
EDWARD FJORDBAK
Communities Foundation of Texas

FIRST VICE-PRESIDENT
CHERYL McCOWN
Lonward Foundation

SECOND VICE-PRESIDENT
ELOISE MEADOWS ROUSE
Meadows Foundation

TREASURER
NETTIE RUTH HOSKINS
Driscoll Foundation

SECRETARY
NORBERT DITTRICH
Welch Foundation

BOARD OF DIRECTORS
ROBERT DECKER
Scott Foundation
PATRICIA HARRINGTON
The Denver Foundation
EDITH McALLISTER
San Antonio Area Foundation
ANNE MORGAN
Robert S. and Grayce B. Kerr Foundation
CHARLES BONJEAN
The Hogg Foundation
JOHN MURPHY
Flinn Foundation
MARILYN MYERS
Kirkpatrick Foundation
LINDA TAFOYA
Adolph Coors Foundation
NONIE K. THOMPSON
Kempner Fund
JOE CANON
Dodge Jones Foundation
BOB CROW
Carter Foundation
RAYMOND KELLY
Scott Foundation

LIFETIME DIRECTORS
JOHN KIRKPATRICK
Kirkpatrick Foundation
MARGARET C. SCARBROUGH
Lemuel Scarbrough Foundation

EXECUTIVE SECRETARY
MAUD W. KEELING
Area Code 512/853-1664

April 28, 1989

Mr. Grady Forrer
B-363 Rayburn
U. S. Congress
Washington, D. C. 20515

Dear Mr. Forrer:

I am writing to send the information requested in our telephone conversation 4/27/89.

The Conference of Southwest Foundtions is a membership organization of grant-making foundations located in, or active in, Texas, Arkansas, Oklahoma, New Mexico, Arizona, and Colorado. The purpose of the organization is to provide education to our members through mutual exchange of information among members and through workshops, seminars and an annual conference. We do not make grants of any kind to individuals or to organizations. We have no policy which permits us to solicit our membership on behalf of any grant request or to provide grant applicants with guidance to specific foundations.

Although we have always received a few requests for information about sources of grants for various purposes, toward the end of 1988, the numbers of these requests increased dramatically and changed in nature. Beginning sometime in November or early December, we began to receive letters and telephone calls asking directly for grants and grant applications. We were puzzled and began to ask the telephone callers how they came to contact us. Gradually we learned that we were listed as a source of grants in a book by Wayne Phillips entitled "Money, Money, Money."

In an attempt to have our name removed from the book, we tried, in vain, to reach Mr. Phillips. The telephone number and address in Scottsdale, Arizona were only marketing entities which took orders for the book but could give no information about how to reach the author. Investigations on the part of contacts in Arizona proved discouraging but led us to call the Small Business Administration for whatever information and guidance they could give. The local SBA encouraged us to contact the Washington office and relate our experience to them.

To date we have received over 200 letters of inquiry. Copies of several letters typical of those we have received are enclosed. I am also enclosing a copy of the letter we send in response to these inquiries. In addition to the letters we receive an average of 6-8 telephone calls a week asking for grants and grant information. These seem to come in waves--surging for a few weeks then tapering off.

While answering these inquiries is a considerable burden to our one-person office, our primary concern is that our organization is misrepresented to the public and that so many enterprising people with legitimate aspirations have been taken in by the television marketing of this book.

Cordially yours,

Maud W. Keeling

Maud W. Keeling
Executive Secretary

Enclosures

CONFERENCE OF SOUTHWEST FOUNDATIONS
POST OFFICE BOX 8832 • CORPUS CHRISTI, TEXAS 78412

COPY

PRESIDENT
ANNE MORGAN
RSGB Kerr Foundation

FIRST VICE-PRESIDENT
EDWARD FJORDBAK
Communities Foundation
of Texas, Inc.

SECOND VICE-PRESIDENT
CHERYL McCOWN
Lomward Foundation

TREASURER
NETTIE RUTH HOSKINS
Driscoll Foundation

SECRETARY
NORBERT DITTRICH
Welch Foundation

BOARD OF DIRECTORS
CHARLES BONJEAN
The Hogg Foundation
JOHN MURPHY
Flinn Foundation
MARILYN MYERS
Kirkpatrick Foundation
LINDA TAFOYA
Adolph Coors Foundation
NONIE K. THOMPSON
Kempner Fund
JOE CANON
Dodge-Jones Foundation
BOB CROW
Carter Foundation
RAYMOND KELLY
Scott Foundation
CURTIS MEADOWS
Meadows Foundation
JOHN SNODGRASS
Noble Foundation
GAIL ROSE
McMurray Foundation
PETER MOORE
Moody Foundation

LIFETIME DIRECTORS
JOHN KIRKPATRICK
Kirkpatrick Foundation
MARGARET C. SCARBROUGH
Lemuel Scarbrough Foundation

EXECUTIVE SECRETARY
MAUD W. KEELING
Area Code 512/882-7981

March 30, 1989

Dear Grantseeker:

I am writing in response to your letter requesting grant information. The Conference of Southwest Foundations is an association of grantmaking foundations located in, or active in, the Southwest. As such, we do not make grants of any kind. In addition, we have no policy which would allow us to solicit our members in behalf of any grant request.

We have recently received many telephone calls and letters similar to yours asking about grants to start businesses. We learned that our organization is listed as a source of grant assistance in an expensive mail order book. The information concerning our organization is incorrect and misleading and you may have legal recourse if you purchased the book.

In attempts to have our organization's name deleted from this publication, we discovered that the author of the book, Wayne Phillips, has been investigated by the Better Business Bureau of Phoenix for numerous complaints since 1984. His company has an unsatisfactory record and does not meet the Bureau standards. The U. S. Small Business Administration has started legal action against him. In addition, the Federal Trade Commission has charged his company with falsely representing refund claims and has obtained an order and judgement stipulating that his company must provide full refunds, plus interest, to each person who returns the book under his "money back guarantee."

Consequently, if you purchased the book, you should be able to return it for a refund if you feel it was misrepresented or that it contains false information. You may wish to contact your local representatives of the Small Business Administration and the Federal Trade Commission for guidance.

Your best source of information about grantmaking organizations is the Foundation Directory published by The Foundation Center, 79 Fifth Avenue, New York, NY 10003. This directory should be available in the public libraries of mid-sized cities. The Center also maintains relationship with several Foundation Library Collections around the country which provide funding information. The enclosed leaflet gives information about the Center and regional collections. You may call their toll-free number, 1-800-424-9836 to find the collection nearest to you.

I hope that this information will be helpful to you.

Cordially yours,

Maud W. Keeling

Maud W. Keeling
Executive Secretary

Enclosure

THE CONFERENCE OF SOUTHWEST FOUNDATIONS, INC. is an association of granting foundations and philanthropic trusts located in, or active in, the Southwest region. Founded in 1948, it was the first organization of its kind in the United States. It is a non-profit organization dedicated to the education of its members.

The purpose of the Conference of Southwest Foundations is to provide the membership with a forum for the exchange of information about foundation operation, trends, and about needs in the Southwest. The goal is to promote wise foundation administration and to enhance the ability of each member to fulfill its charitable mission.

The Conference currently has over 100 members. The majority of members are family foundations and other private foundations. However, community foundations, company foundations, and bank trust departments which have responsibility for charitable trusts are also eligible for membership. The organization is supported entirely through membership dues, registration fees and contributions from members. It is governed by five officers and twelve directors elected by the membership.

The Conference does not make grants itself and does not undertake to provide grant applicants with guidance to specific foundations. Each member foundation of the Conference receives and acts on grant requests individually.

ACTIVITIES

Education. The educational purpose of CSF is carried out through the program of the annual conference held in April and through special seminars during the year. The topics covered in these meetings encompass the broad field of philanthropy and relate to such matters as program development, administration, investments, tax and legislative information, planning and regional concerns.

Communication. Through the newsletter, *Cooperation*, members learn about activities of other grantmakers, creative uses of resources, news about colleagues, meetings, publications and research studies.

Consultation. The Conference provides consultation service to members through a network of specialists within the organization. On a less formal basis, CSF serves as a clearinghouse to put members in touch with one another and with other resources when special expertise and information is needed.

Cooperation. The Cooperative Projects Committee offers members, regardless of size, the opportunity to join with other foundations in sponsorship of projects with special relevance to the Southwest.

Publications. From time to time, outstanding papers presented to the annual meetings and special seminars are published. In addition, copies of unpublished manuscripts, and occasionally, cassette tapes of presentations can be made available to members.

APR. 3 1989

DAVID M. HAYES, SR.
315 E 500 N
VALPARAISO, INDIANA 46383
(219) 462-1823
(219) 462-8544

PURCHASE ORDER NO.

MAIL INVOICES
AND ORIGINAL B/L TO ABOVE.

DATE: 3-29-89

To: CONFERECE OF SOUTHWEST FOUNDATIONS
EXECUTIVE SECRETARY
P O BOX 8832
COPPUS CHRISTI, TX 78412

NOTE—ACKNOWLEDGE RECEIPT OF THIS ORDER AND ADVISE SHIPPING DATE AT ONCE.

VIA	ACCT. NO.	F.O.B.	DEL.	TERMS

QUANTITY	DESCRIPTION	PRICE
	I would like to apply for a Grant to start a new business. Please advise me if you are able to help me. If you need more information, like a business plan, let me know.	

Sincerely Yours
David M. Hayes Sr.

P.S.
If you cannot help me to obtain a Grant I would appreciate any help that you could give me in finding the right Foundation or Grant maker

Thank You

F-114

APR. 6 1989

4-4-89

Valisie McAlpin
Farm Fresh Market, Inc.
Rt. I Box 59
Weslaco, Texas 78596

Conference of Southwest Foundations
P.O. Box 8832
Corpus Christi, Texas 78412

Dear Executive Secretary:

I am interested in starting a Women Owned Business. Please send me information and application for grants available. Thank you.

Sincerely,
Valisie McAlpin

BOND
MANAGEMENT TEAM

14240 HAYMEADOW DR # 2012
DALLAS, TX 75240

214-233-3081

March 25, 1989

Association of Grantmakers
Conference of Southwest Foundations

Dear Sirs :

Please furnish the program guidelines along with other important and related information necessary to apply for a grant and/or loan with your organization.

I operate a small business specializing in motivational management for businesses.

My plans are to employ ten to twenty people, to mostly include women and minorities who will sell and implement the programs.

The information I will receive from you will aid in the application for funds necessary to hire employees, purchase supplies, and set up classes

Any assistance in which you can contribute will be greatly appreciated.

Sincerely,

Dotti Bond
Dotti Bond
BOND MANAGEMENT TEAM

SUSAN M. GUIDRY
Post Office Box 54 Mermentau, LA 70556 318-783-7428

MAR. 31 1989

March 28, 1989

Attn. Executive Secretary
Conference of Southwest Foundations
P. O. Box 8832
Corpus Christi, TX 78412

I am writing to inquire about the requirements necessary in receiving grants through your program. I have lived in Louisiana all of my life and would like to open a small grocery store near my home town. My business would eventually employee somewhere between eight and ten people on a full or part-time basis.

Although I know that I may not qualify for your assistance, I would appreciate any other help you may be able to offer about receiving grants or loans through other foundations.

Thanking you in advance for your help, I am

Sincerely,

Susan M. Guidry
Susan M. Guidry

APR. 13 1989

7030 Glen Spring Rd.
Baltimore, MD 21207
April 10, 1989

Executive Secretary
Conference of Southwest Foundations
P.O. Box 8832
Corpus Christi, TX 78412

To whom it may concern,

I obtained your name and address as a possible source of an educational grant. I plan to attend the American Academy of Dramatic Arts this summer for their six week summer program. I also plan to attend Boston University next semester as a visual and performing arts major. My first semester will be spent in their London internship program at Oxford University. Attending these schools will be a great asset to me in continuing my dramatic training. The tuition at Boston University is $15, 900 a year. The cost of the special London internship is an additional $5, 900 plus living expenses. The cost for the summer program at the Academy is approximately $3, 500 with room and board included. All of these expenses are impossible for my family to afford. Please send me an application for a grant and any information that you have available. Any help that you could provide would be greatly appreciated.

Thank you very much.

Sincerely,

Carl A. Glorioso

Carl A. Glorioso

Carl A. Glorioso
7030 Glen Spring RD.
Baltimore, MD 21207
(301) 298-4451

BBS BBS

BETTER BUILDING SERVICES

Bonded and Insured

Carpet Cleaning, Striping, Waxing, Window Cleaning, Shampoo and Other Commercial Cleaning

Post Office Box 235, Plano, Texas 75074 (214)[redacted](214)373-7116

April 12, 1989

The Executive Secretary
Conference of Southwest Foundation
P. O. B. 8832
Corpus Christi, ?Texas 78412

Dear Sir/Madam,

We have received information through the Small Business Administration that you may be of assistance in securing grant or grant information for a minority owned Business or for Small Business.

Better Building Services is a newly established company within the DFW Metroplex. Our staff is comprised of professional and qualified personnel.

If your administration can be of any assistance in supplying me with information as to what I need to provide you with to become a part of your GRANT PROGRAM, it would be greatly appreciated.

I await your prompt response.

Sincerely

Gabriel Uvere
TERRITORIAL MANAGER I/C

GU/em

6200 N. ENTRAL EXPWY. SUITE 205D DALLAS TEXAS 75206(214)373-7116

JUDY McDONALD

Judy's Personnel Center
DATA PROCESSING TEMPORARIES
AND
PERSONNEL CONTRACTORS

POB 20616 PHILA., PA. 215-848-8471

Judi Nord Personnel Center
Post Office Box 20616
Philadelphia, PA 19138

April, 1989

Dear Foundation:

I am in the process of raising much needed capital in the form of grants, awards and contracts so I may continue to complete my Small Data Processing Temporary Personnel and Service Agency.

I am a Minority and Woman owned & operated proprietor and would create about Seventeen new Full-Time jobs and about One-Hundred Temporary contracted jobs with the completion of this project.

I presently operate my business from a Home-Office and I am unable to service the many job seekers because of my limited equipment and location. (Equipment to test applicants).

I will not be able to obtain the equipment, location and working capital for salaries & supplies if I donot receive funding. I have contacted the Small Business Administration for help but feel it is necessary to also locate needed funds form private sources and foundations such as yours.

I chose your organization to present my letter of inquiry because of your Leadership in your support of Minority & Women Businesses. I hope you will grant me an opportunity to submitt my proposals and perhaps have you as my mentor in fullfillment of this much needed venture.

Very truly yours,

J. McDonald

Judy Mc Donald
Proprietor

JNPC/jd

WILPATH ELECTRONICS
126 E. 1st
Pittsburg, KS 66762

APR 15 1989

April 11, 1989

Executive Secretary
Conference of Southwest Foundations
P.O. Box 8832
Corpus Christi, Tx. 78412

Dear Sir:

We are a minority owned Electronic service firm located in the Southeast Kansas area. Our Company have been involved in the Hi Tech Electronic Service repair business for six months.

We are requesting that you foward to us your grant qualification information kit and/or any other related information that could help us along those lines. Also we request your annual report as well as a copy of your underwriting legislation. If possible, we would like to schedule a telephone or personal conference, along with the name and phone number of the contact person who might help us in this area.

Thank you for your attention to this matter.

Yours Truly,

Henry Wilson
Proprietor

HW/pw

PHONE NUMBER: (316) 232-5808

APR. 20 1980

No address

c/o Executive Sec;

i am a Minority (BLACK) Male 32 yrs. old i Live in Lawton OK. i am interested in obtaining a grant for an IMPORT-EXPORT business. i recently became a Member of B.L. Mellinger INTERNATIONAL TRADERS IMPORTS-EXPORTS. i would Like to open the business in the OKLA or TEXAS area. also i would Love to specialize in American trade EXPORT'S, TO sell american goods. I would Like to operate a wholesale warehouse store, as well as a mail-order sales Dept, to help increase sells. i Plan on employing 8 TO 10 People in this business. also to help insure its Potential i will hire an experienced Manager who will help Me in this business endeavor. Please send Me your grant applications to see if this would be an equitable idea.

Thank you
William Neal

-19-327 78

3/15/89

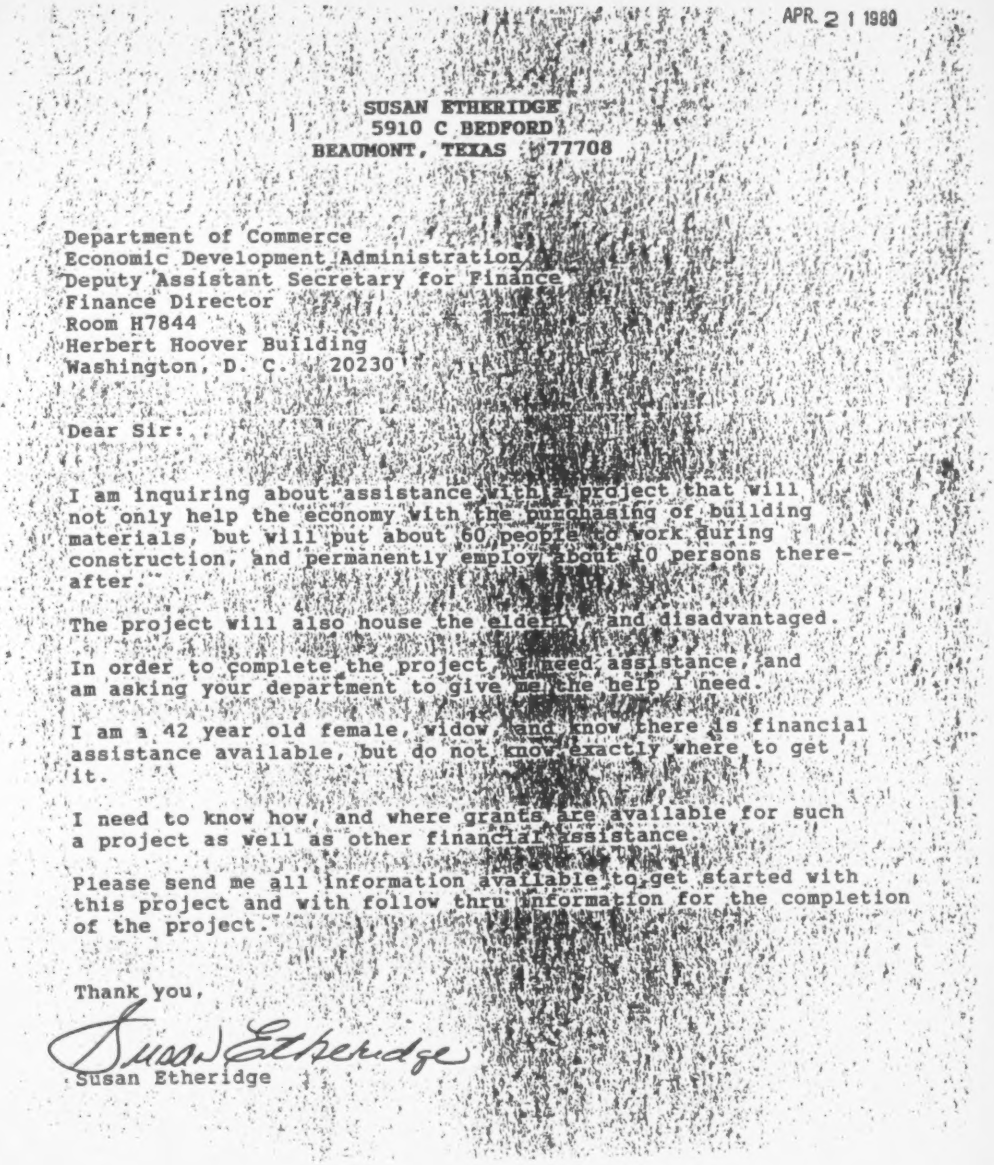
Carl V. Davis
208 Hillman St.
Belen. N.M. 87002

Conference of Southwest Foundation
P.O. Box 8832
Corpus Christi Tx. 78412

Dear Sirs/mame,

We, my wife Carmen and I am requesting an business Grant, we would appreciate you sending us a business Grant application plus any other helpful information or assistant you could share with us. We will wait anxiously for your reply. Thank you!

Sincerely Carl Carmen Davis



APR. 2 1 1989

SUSAN ETHERIDGE
5910 C BEDFORD
BEAUMONT, TEXAS 77708

Department of Commerce
Economic Development Administration
Deputy Assistant Secretary for Finance
Finance Director
Room H7844
Herbert Hoover Building
Washington, D. C. 20230

Dear Sir:

I am inquiring about assistance with a project that will not only help the economy with the purchasing of building materials, but will put about 60 people to work during construction, and permanently employ about 10 persons thereafter.

The project will also house the elderly, and disadvantaged.

In order to complete the project, I need assistance, and am asking your department to give me the help I need.

I am a 42 year old female, widow, and know there is financial assistance available, but do not know exactly where to get it.

I need to know how, and where grants are available for such a project as well as other financial assistance.

Please send me all information available to get started with this project and with follow thru information for the completion of the project.

Thank you,

Susan Etheridge
Susan Etheridge

APR 24 1989

Michael Collins
Rt. 5 Box 244-a
Tyler, Texas 75706

April 18,1989

Dear Sirs:

I am interested in applying for goverment and private grants for small businesses and for starting businesses. Since this area is so large and difficult to research I am asking for your help. If you have any grant guidelines, information, or applications It would very helpful to me.

I would appreciate any material that you could send me. I also would like to thank you for reading this letter and for the time you have taken out to help me.

Thanks,
Michael Collins

G & L Software
P. O. Box 105
Moscow, Kansas 67952

Executive Secretary
Conference of Southwest Foundations
P. O. Box 8832
Corpus Christi, Texas 78412

Dear Sir or Madam:

We desire to start a small software and computer service center in Liberal, Kansas. Our major reasoning is Liberal is in the center of our target marketing area and has all the necessary resources we need, within its city limits.

Our plans are to open a small business employing approximately six to ten employees in the beginning. We would provide local business with a computer consulting firm, customized software built to their specific needs, computer training for existing software or hardware, and computer maintenance.

We are petitioning your office for information on financial assistance in this area, including government grants, low interest loans, and bonds. We would also like to know of any assistance your office could provide us.

Please send any information available to Jason Lund, P.O. Box 105, Moscow, Kansas 67952. Thank you for your time and cooperation.

Jason Lund
Jason Lund

Executive Secretary
Conference of Southwest Foundations
P. O. Box 8832
Corpus Christi, Texas

Susan Jerald
Rt. 1 Box 1154-H
Benton City, Wa. 99320
1 (509) 588-4802

March 2, 1989

To whom it may concern,

I am interested in information from your agency on obtaining business assistance for my small business which is a pre-school and small day-care. I, too, am specifically interested in your incentive programs. I would also like to know if there are any grants available through your organization.

My pre-school is very small and I am finding I cannot meet the needs of my community unless I expand. I have established my facility as a pre-school and day-care known for its quality education and care. I recieve a steady stream of parents calling anxiously to enroll their children. We especially need day-care in our community and I will be swamped in the Fall with even more enrolles for pre-school. (The only other pre-school in our community is closing in May.) Unfortunately, there is not enough profit in my business to expand unless I recieve assistance.

Our community newspaper asked me to write an article for the local newspaper. A copy of the article is enclosed. It may give you a little more information about my pre-school.

My staff and I could also benefit from classes in Early Childhood Education offered at our local College. Our children's music teacher is especially talented. It would be so wonderful to see her grow and develop her special abilities through an educational grant.

If you do not have any information which would help me, please refer me to and agency or organization which can.

Thank-you so very much,
Sincerely,

Mrs. Susan Jerald

Mrs. Susan Jerald

MAR. 24 1989

2 MARCH 1989

Dear Sir,

THIS LETTER IS WRITTEN REQUESTING INFORMATION FROM YOUR OFFICE IN REGARD TO OBTAINING GRANT INFORMATION PACKAGE or KIT INFORMATION ON GRANTS ENTITLED SMALL MINORITY BUSINESS DEVELOPMENT GRANTS.

PLEASE FORWARD INFORMATION OR COST OF INFORMATION TO THE FOLLOWING:

ROY E. CULBERSON
11309 WARBONNET DRIVE
EL PASO, TEXAS 79936

YOUR ASSISTANCE IS GREATLY APPRECIATED. THANK YOU.

Roy E. Culberson

ROY E. CULBERSON

February 28,1989
Luquillo,P.R.00673

MAR. 03 1989

Conference of Southwest Foundations
Executive Secretary
P.O. Box 8832
Corpus Christi,TX 78412

Dear friends:

My name is Guillermo Martínez. I am an art teacher. I have fifteen years teaching art. I am married and have three nice children. I want to continue my studies and do my master degree on counceling (educational councelor) but it is very difficult for me because of my low income. I need some help so that's why I am writing to you. I know that you are giving grants or scholarships and I would appreciate that you send me the application. I will be studying next semester (August 1989) at the University of P.R. on a graduated program. If I am entitle to this scholarship. Please write back soon, I will be waiting.

Sincerely yours,

Guillermo Martínez

Manufacturers of Macadamia Nut Products, Candies, Cookies
Hawaiian Gift Packs & Especially Kona's Favorite
"Buttery Mac-Nut Brittle"
Kona Kay's
Kona Style Products
RR #1 Box 175
Captain Cook, Kona, Hawaii 96704

Kay Johnson
Owner
Phone: (808) 328-9373

STYLE PRODUCTS
uttery Mac-Nut Brittle,
ndies, Cookies, & Gifts
RR #1, Box 175
Cook, Kona, Hawaii 96704

Send the letter

MAR 27 1989

March 21, 1989

I am interested in finding out more information regarding GRANTS that is to help create jobs for the minority and women. I have been in business for myself as a candy maker, baker, innovation of candied fruits here in Napoopoo, Captain Cook, Kona, Hawaii. We live in an agricultural community where Macadamia Nuts, Kona Coffee, and other tropical agricultural products are available for market. I have started my business in the candy manufacturing since 1982, using just the available resources we have in our region. Unfortunately, having not the capital to expand my operation, we have remain in the local area of doing business. I have experimented with my products, and have created a unique candy with macadamia nuts that once people eat it, they are (Love) addicted to it. I have also manufactured my exclusive product such as Kona's original MAC-NUT KONA COFFEE COOKIES. I would like to find out how your firm could help me to expand my business financially for our community which has a population of 20,000, and create jobs for the local people. My products are unique, utilizing the available local grown products which is the industry in Kona, Hawaii. My products have proven to have an excellent reputation for this area. I will even send you samples of my "KONA KAY'S ORIGINAL" products upon request.

Please help me create an industry which I know I have the capability to manage and operate since I have been a McDonald's Manager for five years with excellent recommendation. All I need is start up capital.

Sincerely,

Mrs. Kay Johnson
(Keisiuling Sin Loo Chai Johnson)

Owner, Operator

MAR 3 1 1989

March 29, 1989

Julie Hunsaker
1433 Mimosa
Cleburne, TX. 76031

Conference of Southwest Foundation
P.O. Box 8032
Corpus Christ, TX 78412
Executive Secretary

Dear Sirs:

I'm am interested in acquiring information about your grant program for women owned/small businesses. Please send me a copy of your annual report, if posssible, a printed program summary, and any related materials that has been designed to help apply.

Your time, interest and expediency is greatly appreciated in this matter.

Sincerely,

Julie Hunsaker

Julie Hunsaker
(817) 556-9858

2/3/89

Conference of SW Foundations
Attn: Exec. Secretary
P.O. Box 8832
Corpus Christi, Tx. 78412

FEB. 07 1989

Dear Sir:

Please send me any information you can on grants available through your SW Foundations, particularly those which have to do with labor and creating jobs for disadvantaged. Thank you for your assistance!

Sincerely,

Dennis M. Gorman
413 Shirley NE
Albuquerque, NM 87123

19-327 88

DEPARTMENT OF EDUCATION

AUG 31 1988

Mr. Carl W. O'Neill
4729 King Arthur Way
Cheyenne, WY 82009-5114

Dear Mr. O'Neill:

I received your letter requesting information as to possible assistance that may be available for your father to open a small petting zoo.

I am not privy of assistance available from state or federal governments, but the only assistance we are aware of in the Federal sector would be that offered by the Small Business Administration (SBA). I have taken the liberty to forward your letter to the SBA office in Philadelphia. That address is:

U.S. Small Business Administration
Financial Assistance Office
231 St. Asaphs Road
One Bala Cynwyd Plaza, Ste. 400
East Lobby
Bala Cynwyd, PA 19004

The phone number for that office is (215) 596-5889.

I hope this information will be of assistance to you.

Sincerely,

(signed) Daniel L. Levin

Daniel L. Levin
Director
Office of Small & Disadvantaged
Business Utilization

FILE
COPY

OFFICE	SURNAME	DATE	OFFICE	SURNAME	DATE	OFFICE	SURNAME	DATE

Dusm 8/25
(1A) SBE

Carl W. O'Neill
4729 King Arthur Way
Cheyenne, WY 82009-5114

August 21, 1988

Contract and Small Business Activities
Deputy Under Secretary for Management Concerning Programs
400 Maryland Avenue S. W.
Washington, DC 20202

Dear Sir or Madam:

My father is planning on opening a small petting zoo for children near Philadelphia, PA as he is very familiar with animals and enjoys working with them. He is disabled but that will not detract from the care of the animals.

Since he is handicapped, is there any assistance available that the Federal, State or Local Government, or other authorities able to give him? What regulations, licenses, or other forms are required to start this business?

Any information you could send me or who to contact would be greatly appreciated. My telephone number is (307) 637-4016.

Sincerely,

Carl W. O'Neill

MR. CHARLES HENDERSON
150-13 119TH AVENUE
JAMAICA, N.Y. 11434
August 6, 1988

Department of Education
DIRECTOR, OSDBU.
Rm. 2141
Washington, DC 20202.

TO Whom it may Concern:
I would like information on getting money to help start my own Company. So I can work on bids for the government, under the program "Streamlined Acquisition Initiative (SAI)".

Yours truly,
Charles Henderson

P.S. I don't currently have a Company.

December 16-1981

Office of Economic Opportunity (EOG)
1200 19th Street
Washington D.C 20410

To whom it may concern. I am requesting inforamat. about going into business. financing, Training and education and any other inforamation you may have about Economic-Opportunity.

Thank. You

Yours truly
Jeffrey C Smith - D03622
Dorm 1207
P.O. Box 2210
Susanville. Calif.
96130

world of learning
P.O. Box 103 Provo, Utah 84603-0103 (801) 225-6894

- February 21, 1989 -

Department of Education
CSDBU - Room 2141
Washington
DC 20202

Dear Director,

We are a small business, working on beginning reading materials to improve literacy.

We have produced materials being tested and are achieving good results. We are anxious to add improvements and need funding.

Can you help us find grants for profit organized small business groups?

Please bill us if there is a fee.

Thankyou.

Sincerely -

Rachel Mcomber
World of Learning.

Phonetic Reading Is A Priceless Heritage

Department of Education
400 Maryland Ave.
S. W. Washington, D. C. 20202

2-2-89

Director:

Per Regional Administrator G. A. Kilbane, instructions, we are writing you directly for badly needed help, awards and grants for my retraining, for this family.

Because of my age, some physical restriction, medication for arthritis and pain, the inconsistency of this social system, especially the SRS treatment of this family, I am unable to obtain employment, much less employment in my field of endeavor, Electronic Tech. and Data Entry.

Because of those inconsistency, we have also tried to start our own business, but with old and limited equipment and no real production experience, the local, county, state and federal contract people either do not want my services or just refuse to reply to my letters.

Inconclusion, please help us obtain the needed help, awards, grants and retraining that I so badly need. Also, I am writing, per Kilbane, "J. R. Coleman(E.G.)", "Minority Business Development" and "Economic Development (T.R.E. Dept.)", to hopefully have that paper work done and in place, as to when I complete my retraining, so we are ready to start our own business.

Thank You;

Roy J Betty

The Betty's
503 N. 7 th.
Kiowa, Kansas 67070

" Betty's Electronic Repair & Data Service "
"BERDS"

DEPARTMENT OF HEALTH & HUMAN SERVICES

Public Health Service

Alcohol, Drug Abuse, and
Mental Health Administration
Rockville MD 20857

Room 14C-20

April 19, 1989

Mr. Grady Forrer
Rayburn Building, Room B363
House Small Business Committee
U. S. Congress
Washington, D.C. 20515

Dear Mr. Forrer:

This letter is to follow up our telephone conversation on April 10 regarding the Small Business Innovation Research (SBIR) program referenced in a book How to Start Your Own Business by Wayne Phillips.

The SBIR program is a competitive award program that allows research-oriented small business firms to participate in the research and development programs of the participating agencies. The only way a small business can receive funding under this program is to successfully compete for an award. The SBIR program is coordinated and monitored by the Office of Innovation, Research, and Technology of the Small Business Administration, which publishes quarterly Pre-solicitation Announcements that list the participating agencies, their contact persons, and their respective research topics. Many agencies, for example, the Public Health Service (of which we are a part), Department of Defense, Environmental Protection Agency, Department of Transportation, and National Aeronautics and Space Administration, are participating in the grant program. Each agency has its own mission and research interests as described in the full solicitation for that agency. Our SBIR research program is described in the Omnibus Solicitation of the Public Health Service, a copy of which is enclosed for your information.

The book How to Start Your Own Business is incomplete and misleading in its listing for the SBIR program. No agency or contact person is identified with the address, which in fact, is the address for several entities within the Public health Service. Three telephone numbers were listed without identifying the entities. The book also failed to mention that many agencies are involved in the program, but instead, picked out a small component and presented it as the sole source of information. As a result, we have the burden of answering the many irrelevant letters and phone calls. Typically we receive 12-15 calls per day and approximately 6-10 letters per day. The number has been increasing recently. The calls and letters began around November.

Our standard response to a typical telephone inquiry is to first determine that this is an SBIR inquiry with no connection to either the National Institute on Alcohol Abuse and Alcoholism (NIAAA) or the subject of alcoholism. Then we explain to the caller that he/she has reached the Public Health Service, more specifically the NIAAA. We ask how they got our phone number, and it is usually from the book by Wayne Phillips. We tell the caller that this book is in error and that he/she can get further information about the SBIR program from the Small Business Administration at 1-800-368-5855. Samples of typical correspondence and our standard response are enclosed as you requested.

The Federal Trade Commission San Francisco Regional Office is conducting a nonpublic investigation of the advertising for Mr. Phillips book. A copy of the inquiry made by Mr. John Siqueiros, legal clerk for the FTC, and my response are enclosed for your information. You may also be interested to know that our office is listed as a resource in another publication, Government Giveaways for Entrepreneurs published by Information, U.S.A., under the heading "Free money for SBIR." We receive 2-3 inquiries per day as a result of this publication.

I hope the above information is helpful to you.

Sincerely yours,

Laurie L. Foudin

Laurie L. Foudin, Ph.D.
SBIR Coordinator
National Institute on Alcohol Abuse
and Alcoholism

Enclosures: NIAAA response to irrelevant inquiries
NIAAA response to relevant inquiries
Typical inquiry letters
Omnibus Solicitation of the Public Health Service
Correspondence with the FTC

Response to Irrelevant inquiries

DEPARTMENT OF HEALTH & HUMAN SERVICES

Public Health Service

Alcohol, Drug Abuse and
Mental Health Administration
Rockville MD 20857

Dear Sir/Madam:

I am sorry to inform you that the information you were given concerning the Small Business Innovation Research (SBIR) program is erroneous. SBIR is a competitive award program which provides opportunities for scientifically sophisticated high technology small business concerns to obtain a greater share of Federal research and development dollars. The only way a small business can receive funding under the SBIR program is to successfully compete for an SBIR award. The U.S. Small Business Administration publishes quarterly Pre-Solicitation Announcements that list the participating agencies, their contact persons, and their respective research topics. You may request to be put on the mailing list by writing to: Office of Innovation, Research, and Technology, U.S. Small Business Administration, 1441 L Street, N.W., Washington, DC 20416.

The Small Business Administration (SBA) does provide assistance to people who own small businesses and those who are considering opening a business primarily through its Guarantee Loan program. In this situation, SBA becomes a guarantor on a loan made by a commercial lending institution. Management and technical assistance is also available free of charge in most instances. For further information, write to the SBA at the above address or call 1-800-368-5855.

Sincerely yours,

Laurie L. Foudin

Laurie L. Foudin, Ph.D.
SBIR Coordinator
National Institute on Alcohol Abuse
and Alcoholism

Response to legitimate inquiries

DEPARTMENT OF HEALTH & HUMAN SERVICES

Public Health Service

Alcohol, Drug Abuse and
Mental Health Administration
Rockville MD 20857

Room 14C-20

April 10, 1989

Person's name and address

Dear :

Thank you for your interest in the SBIR grant program of the National Institute on Alcohol Abuse and Alcoholism (NIAAA). The NIAAA awards a small number of SBIR grants to small business firms to develop new knowledge or products that may benefit the alcohol research, treatment, or prevention communities. Enclosed please find a brief announcement describing the program. Detailed information regarding the purpose and structure of the program and eligibility requirements is contained in a publication titled "Omnibus Solicitation of the Public Health Service for SBIR Grant Applications." Our office does not have copies of the Solicitation available for distribution. You may request the complete SBIR Solicitation, which also contains a description of NIAAA's research topics and application forms, by calling (301) 231-6378. I have enclosed an excerpt from the solicitation describing NIAAA's research topics.

I hope this information is useful to you. If you have questions concerning the program or application procedures, or wish to discuss ideas for a proposal, feel free to call me at (301) 443-4223.

Sincerely yours,

Laurie L. Foudin, Ph.D.
SBIR Coordinator
National Institute on
Alcohol Abuse and Alcoholism

Enclosures

FLOYD R. TRAFFORD
Certified Public Accountant
118 North Moose P. O. Box 267
Morrilton, Arkansas 72110

(501) 354-5554

March 1, 1989

To Whom It May Concern:

The attached concept is based on good business principles and is a program to supply a service to the small business operator.

This service has been developed and tried but now should be available for others in need.

We are requesting financial support to promote this concept and appreciate your consideration.

If it is necessary to formalize this proposal, please forward your "Request for Proposal" forms and your current guidelines.

Yours truly,

Floyd R. Trafford

Floyd R. Trafford

CONCEPT FOR GRANT TO FUND SERVICE TO SMALL BUSINESS

PURPOSE:

The purpose of this project is to provide a service to small business. This service includes a reduction in paperwork, assistance in preparing taxes, and help in other simplified accounting services that will help keep the operation competitive.

The intent of this proposal also is to market and sell a service as a team effort for small business survival in a field of big business, chain operations, and conglomerates.

With financial grant support this project can promote and supply a much needed service to "Mom and Pop" operations, farmers, and small businesses - not only in Arkansas but nationwide.

NEED:

Small businesses must have some type of bookkeeping system for day-to-day operation. Various systems utilized include ledgers, credit books, file cards, receipts, notebooks, note pads, etc. Each requires a certain amount of time for posting or writing the sale or charge. Also, a certain amount of time is required to tabulate sales, charge accounts, and inventory. In addition, reports are required for state and federal taxes, social security, payroll, OSHA, chemical use, and other requirements for specific operations.

To compete with large chains, these small operators must "bend" to remain in business. This bending includes carrying credit customers, buying on credit, working extra hours, and hiring extra employees. Also, because of their tax liability, these current systems require more time.

With the advent of reasonable computer hardware, many felt they had an answer. However, the software available is burdensome to those who are not "computer literate" and do not have the time or funds to train for these elaborate or sophisticated systems.

Cost involved in time and training have turned these small operators from a computerized program. Recently an article appeared in a local newspaper regarding two local farmers pursuing the use of computers for their farming operations. Even with government agency assistance and prior training, these two would have to spend a year in training to learn what the purchased program could do.

These problems of the small business person were brought to a local certified public account firm, which initiated a series of trials. These trials included the development of a simple program for each situation - i.e., "Mom and Pop," farmer, dress shop, etc.

These programs were based on the operator's former method of "bookkeeping," whether ledger or note pad. From these trials - and at a cost of approximately $55,000 - a personal, simplified program was developed.

This program is designed for the individual and requires less time than it takes for him/her to post in a ledger. The program is prepared for tabulation and printout services and can be operated with one or two-key operations, plus entry.

The proposal is not a big, get-rich scheme; it is a service to the persons who are struggling to stay in business (which was their American dream) and, thus, compete with the Wal-Marts, Sears, Tysons, and others.

OBJECTIVES

OBJECTIVE I:

To develop a management, education and marketing service team within six months.

Method: Through the consultant organization and with federal financing, establish and hire a group dedicated to the service concept for small businesses.

This management team will include a program director, marketing manager, programmer, five field representatives, educator, and consultant. In addition, a support staff will include a senior secretary and two clerical positions.

Evaluation: The evaluation of this team will be based on the experience and background information for the hiring weights, which are designed through the service concept. These will be completed six months after initiation of project.

OBJECTIVE II:

Initiate program applications in five districts (central, northwest, northeast, southwest and southeast) of the state within one year.

Method: The field representatives will be assigned to specific marketing areas of the state - northwest, northeast, central, southwest and southeast. Within these districts, they will provide demonstration services and program operations to those clients interested in these services. Also, at these locations the representatives will have hardware and software systems for education and demonstration services.

An educator will be available to present programs concerning the system. These programs will be for groups interested in a specific work topic or for varied business purposes.

Evaluation: District reports will be tabulated on number of demonstrations, new applications, and programs provided on a weekly and monthly basis.

OBJECTIVE III:

Within three years have a self-supporting operation statewide.

Method: With financial support and marketing skills applied, the services organization will become more of a maintenance operation. In addition, the educational aspects will maintain current and future applications for the clients. The services organization will, if possible, expand the project to other states within this region to offer the product to small business.

Evaluation: Based on revenues and clients, the services organization could be self-sufficient after this trial and adjustment period. Accurate records will be maintained and employees monitored to provide the most efficient program.

BUDGET

Financial support is needed to enhance the proposed service and expand staff. Included in this support are travel monies for statewide travel and training, projected operation costs, and personnel services.

Following is a projected line budget for one year:

PERSONNEL:

Position	Salary	Time	Amount Required
1. Program Consultant: Develops software, maintains and improves simplified systems. Provides program expertise and direction.	$ 90,000	50%	$ 45,000
2. Program Director: Oversees program per grant guidelines. Responsible for reports, staff, etc.	$ 40,000	95%	$38,000
3. Marketing Manager: Prepares organizational support on each small business. Directs field activities.	$ 37,500	100%	$ 37,500

Position	Salary	Time	Amount Required
4. Programmer: Prepares each individual operation system.	$ 37,500	95%	$ 35,625
5. Field Representatives (5): Provide services through travel, demonstration, trouble-shooting, sales, etc. One each in NW, NE, Central, SW and SE Arkansas.	$ 33,000	100%	$165,000
6. Educator: Sponsors classes, lectures, training, and updated programs to organizations and businesses for services, plus continuing education in computer services.	$ 30,000	100%	$ 30,000
7. Secretary and Clerical (3): Maintain central office, prepare reports, communicate with field representatives, prepare itineraries, client lists, etc.	$ 20,000	100%	$ 60,000
		SUB-TOTAL	$411,125

EQUIPMENT:

1.	Five demonstrator computers @ $5,000 each (one for each district).	$ 25,000
2.	Five printers with surges, modems, etc. @ $2,000 each (one for each district).	$ 8,000
3.	Two office word processors and printers with desks and tables for secretaries.	$ 22,000
4.	Computer supply items - including diskettes, paper, and other initial stock for operation.	$ 5,000
	SUB-TOTAL	$ 60,000

TRAVEL:

In State:

Ten employees on travel status for service and educational duties. These employees are estimated to travel 1,000 miles per month @ 22¢ per mile;	$ 26,400
plus $50 per diem - based on five days per month, twelve months, ten employees	$ 30,000

TRAVEL:

Out of State:

Training and national grant meetings - five staff @ $500 air fare for four trips;		$ 10,000
plus $65 per diem - four trips, five days, five employees		$ 6,500
	SUB-TOTAL	$ 72,900

OTHER:

Office rent, stamps, envelopes and other office supplies	$ 10,000

TOTAL FINANCIAL REQUEST	$554,025
ADMINISTRATION CHARGES @ 10%	$ 55,403
GRAND TOTAL	$609,428

ROBERT L.
JOHNSON
REALTOR
932-4938

1531 Westwood Court
Walnut Creek, CA 94596
(415) 932-4938

- MLS
- Lots
- Homes
- Sales
- Commercial
- Bus. Opp.

February 21, 1989

Small Business Innovative Research

5600 Fishers Lane

Rockville, Md.

Dear Sir:

I often try to visualize the type of life I shall enjoy during my twilight years. Will I have the means to be self sustaining, in charge of all my faculties, to be able to make every decision pertaining to me without assistance of any kind, or will I be placed in a facility in which individual care, if needed, will be minimal? Or if needed, will I be placed in a facility that is capable of providing the type of care that I will have enjoyed all my life to that point? I am sure that you will agree that elderly persons are entitled to adequate care in facilities that specialize in this sort of thing. They should be given the love, compassion, and should be able to pursue goals with the same zest as all of us would like to do.

I am a Medical Technologist, etc., by profession, and as such, I have seen many deplorable situations over the years. In large facilities, individual enthusiasm and initiative are non-existent. My wife, a graduate nurse, has made the same observations. Individuals whose duties are to care adequately for the aged just don't have the time to do so.

Because of our genuine concern for the plight of the elderly, my wife and I decided to do something about this enormous problem. We have devoted our lives to the care of the aged. With this fact in mind, we established several Residential Care Homes for the aged in the Walnut Creek area. We offered 24 hour supervised care. Therefore, each guest's needs and wants were adequately taken care of.

My wife and I no longer own Residential Care Homes, but it is our utmost belief that well supervised residential care homes should be the institutions of the future. Aged persons will be able to receive individual attention in a neighborhood setting. In a small setting such as this, a feeling of "home", and a feeling of belonging to something can be maintained. One needs not ever experience a feeling of being "casted off", or a feeling of being un-loved.

With reference to the previously stated facts, My wife and I established the second of our Minority/Female owned businesses. I am black, and she is French. We set up Robert L. Johnson Properties, and specialized in the Listing and Sale of general real estate with an emphasis on the residential care home area. Since 1979, we have sincerely tried to find serious, conscientious buyers, who had sincere concerns about the plight of the Elderly. We have had some success.

Recently, there has been a proliferation of residential care facilities throughout the area. Unfortunately, some of them don't give the kind of quality care that the elderly deserves. To address this enormous problem, my office proposes to do the following in the near future:

1) we will implement the remedial steps as outlined in our "Business Plan". See attached "Business Plan".

2) Also, see attached "Agreement for Agency & Commissions".

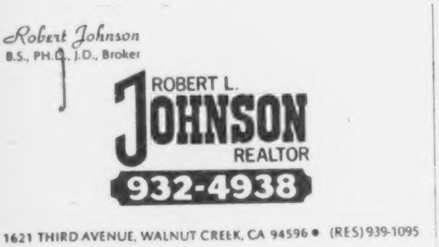
As you can see, what we propose to do will require a great deal of money. We have limited funds, but we think that we have the necessary expertise, and most of all, the deep concern and desire to accomplish this. We hereby apply for a (one) 1 year Grant (AWARD) OF $75,000.00 (SEVENTY-FIVE THOUSAND DOLLARS), or any part thereof for the purposes that we have herein before and hereafter outlined. Please see all attachments for all details.

Again, we are all very much concerned about the plight of the elderly, and have formulated a plan that we think will address and ameliorate this problem. But for its implementation, your help is greatly needed.

Thanking you for your attention, and waiting anxiously to hear from you, I ask to remain,

Very Respectfully Yours,

Robert L. Johnson, Ph.D.
Real Estate Broker-Counselor



Robert Johnson
B.S., PH.D., J.D., Broker
ROBERT L.
JOHNSON
REALTOR
932-4938
1621 THIRD AVENUE, WALNUT CREEK, CA 94596 • (RES) 939-1095

Excerpt

INTRODUCTION

My wife and I have been associated with the medical profession for more than thirty (30) years. I am a Medical Technologist. She is a Graduate Nurse. Because of this association, we have acquired a great deal of experience in several areas. One of which is the "care of the Elderly".

Also, at this particular point in time, there is a great amount of attention placed on the affairs of the elderly, because of the Budget Deficit, etc., and their relationship to certain programs. Because of our sincere concern for the plight of the Aged, we have decided to focus our wholehearted attention thereto.

There are several approaches to what is called "care of the Elderly". One area is "care in a residential care facility". Exploitation for profit only exists, and is very widespread. We will outline in detail our plan to curtail, as best as we can, this deplorable practice.

As you examine the inclosed material, we sincerely hope that you will agree that our request for funds (Grant-Award) is just, and adequately supported with data.

TABLE OF CONTENTS

1. Introduction

2. Cover Letter

3. Business Plan of Robert L. Johnson Properties
    a) The Firm--make-up and operating goals
    b) Organization--Personnel and duties
    c) Source of Clientele-- Marketing Plan
    d) Identification of Clientele
    e) Expenses
    f) Revunue (Projection)

4) Agreement for Agence and Commission

5) Letter to Area Supervisor

6) Letter to Walnut Creek Attorney

7) References
    a) Dante F. Campagna-Pinto, M.D.
        Dep't of Pathology
        Franklin Hospital
        San Francisco, California

    b) Pauline Witt
        2130 Comistas Drive
        Walnut Creek, California (94598)

    c) Marcia MOZZOCHI
        Bayberry Convalescent Hospital
        1800 Adobe Street
        Concord, California (94520)

    d) Kenneth N. Rivera, Esq.
        Attorney-at-Law
        1801 N. California Blvd.
        Walnut Creek, California (94596)

February 21, 1989

Mrs. Elsie Taylor
National Institute on Alcohol Abuse and Alcoholism
Room 14C-17, Parklawn Bldg.
5600 Fishers Lane
Rockville, MD 20857

Dear Mrs. Taylor:

I am interested in obtaining a grant through your "Free Money For Small Business Research" program. Please send me the following:

- An application form.
- A copy of an application which succeeded in getting money in 1988.

Thank you for your time and consideration. I will be looking forward to hearing from you.

Sincerely,

Mary E. Koch

Mary E. Koch
111 Ruth Drive
O'Fallon, Il 62269

February 10, 1989

NATIONAL INSTITUTE on ALCOHOL & ALCOHOLISM
PARKLAWN BLDG, 5600 FISHERS LANE
ROOM 14C-17
ROCKVILLE, MD. 20857

Dear Elsie Taylor,

I'm inquiring about the grant money, which is provided through your department. I would like to find out, information on the certain type of grants or loans, which are available.

I'm starting up a business and it would be nice to get help before I get to far, ahead of myself. Any more information on starting a business would be appreciated very mush.

Thank you, for your time.

Sincerely yours,

Steve L. Marshall

Mr. Steve L. Marshall
2806 No. 1600 E.
Layton, Utah 84040
(801)771-8418

S. D. Khalsa
6 Export Dr.
Sterling Va.22170

January 30, 1989

Mrs. Elsie Taylor
Room 14C-17 Parklawn Bldg, 5600 Fishers Lane
Rockville, MD 20857

Attention Mrs. Elsie Taylor ;

Please send me all information on Free Money For Small Business Research including any applications. Additionally, I would like to receive copies of applications/proposals that were successfull in applying for grants from this program.

Sincerely yours,

S. D. Khalsa

S. D. Khalsa

April 4, 1989

Small Business Innovation Research
Parklawn Building
5600 Fishers Lane
Rockville, MD 20857

Dear Sirs:

I am writing this letter to inquire more about your organization. I am in the process of trying to start a small business and am hoping that you can help me out.

Please send me more information, and if applicable an application. Thank you for your consideration in this matter.

Sincerely,

J.C. Fultz

Jimmy C. Fultz
223 Bellmar
Houston, Texas 77037
(713) 999-3149

February 28th 1989

Small Business Innovation Research
Parklawn Building
5600 Fishers Lane
Rockville, MD 20857

Davis Detailing
2617 26th Street
Zion, ILL 60099

(312) 746-2947

RE; GRANT PROGRAM INFORMATION/APPLICATION

To whom it may concern,

As proprietor of a small Automotive Restoration business currently in its fourth year of operation and viewing immediate future expansion, I would like to inquire about the Grant program available through the Small Business Innovation Research program. Any information and or assistance you may have to offer would be greatly appreciated.

THANK YOU

SINCERELY,

Thomas E. Davis

THOMAS E. DAVIS
(proprietor)

R
BRAND "X"
REALTY
RU "FUS" & JOYCE KEE
(914) 786-3539

Licensed Real Estate Broker
33 HUDSON AVENUE • HAVERSTRAW • NEW YORK • 10927

1-29-89

Re;Grants for Small Business
13.126

Please send information and necessary applications as well as a copy of a successful application.

Thank you

Joyce Kee

Joyce Kee

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
SAN FRANCISCO REGIONAL OFFICE

901 Market Street
Suite 570
San Francisco, CA 94103
(415) 995-5220

MAR 27 1989

March 24, 1989

Director
Small Business Innovation Research
Parklawn Building
5600 Fishers Lane
Rockville, MD 20857
Re: File No. 8923111

Dear Sir or Madam:

The Federal Trade Commission is conducting a nonpublic investigation of the advertising for the book How to Start Your Own Business to determine whether it makes false or misleading claims about the availability of grant money for starting new businesses.

The book lists your entity as a resource where the general public may obtain grants or loans to start a business. Attached is the information the book reports concerning your entity.

Please send information which will confirm or refute that such grant money is available. Included should be information, if any, concerning how people apply for grants or loans, and what their qualifications must be.

The information should be sent to me at the Federal Trade Commission's San Francisco Regional Office, 901 Market Street, Suite 570, San Francisco, CA 94103. Please include on the mailing envelope the file number referenced above.

In advance, I thank you for your cooperation.

Very truly yours,

John Siqueiros
John Siqueiros
Legal Clerk for the FTC

Attachment

100 OF THE BEST GOVERNMENT GRANTS

1. NAME: Small Business Innovation Research
PURPOSE: To use small business (1 TO 500 Employees) to stimulate technological innovation.
AMOUNT: Grants range from $37,000 to $500,000
CONATCT: Parklawn Building, 5600 Fishers Lane, Rockville, MD 20857 (301) 443-4223 (301) 443-5280 (301) 443-3107

2. NAME: Farm Labor Housing Loans and Grants (Labor Housing)
PURPOSE: To provide decent, safe and sanitary low-rent housing and related facilities for domestic farm labor.
AMOUNT: Grants and guaranteed/insured loans range from $20,000 to $2,300,000
CONTACT: Multiple Family Housing Processing Division, FmHA, Department of Agriculture, Washington, DC 20250 (202) 382-1604

3. NAME: Business and Industrial Loans
PURPOSE: Assist public, private or cooperative organizations, Indian tribes or individuals, in rural areas to obtain loans for the purpose of improving, developing or financing business, industry and employement.
AMOUNT: Guaranteed/insured loans range from $11,000 to $50 million
CONTACT: Administrator, FmHA, Department of Agriculture, Washington, DC 20250, (202) 477-7967

4. NAME: Export Promotion Services
PURPOSE: Encourage local business firms to expand their marketing efforts in export trade.
AMOUNT: Amount of Grants was unavailable
CONTACT: Office of the Managing Director, Room 3012, Export Promotion Services, Department of Commerce, Washington, DC 20230 (202) 377-8220

5. NAME: Economic Development Business Development Assistance
PURPOSE: Sustain industrial and commercial viability in designated areas.
AMOUNT: Guaranteed/insured loans available from $260,000 to $111 million
CONTACT: Deputy Assistant Secretary for Finance, Finance Directorate, Economic Development Administration, Department of Commerce, Room H7844, Herbert Hoover Building, Washington, DC 20230 (202) 377-5067

DEPARTMENT OF HEALTH & HUMAN SERVICES

Public Health Service

Alcohol, Drug Abuse and
Mental Health Administration
Rockville MD 20857

Room 14C-20

March 31, 1989

John Siqueiros
Federal Trade Commission
San Francisco Regional Office
901 Market Street, Suite 570
San Francisco, California 94103

Re: File No. 8923111

Dear Mr. Siqueiros:

The Small Business Innovation Research (SBIR) program referenced in your letter is a Federal government-wide competitive award program that allows research-oriented small business firms to participate in the research and development programs of the participating agencies. The only way a small business can receive funding under the SBIR program is to successfully compete for an award. Potential awards are up to $50,000 for Phase I (6-month feasibility study) and up to $500,000 for Phase II (usually 2 years to carry out the full research plan). The SBIR program is coordinated and monitored by the Office of Innovation, Research, and Technology of the Small Business Administration, which publishes quarterly Pre-solicitation Announcements that list the participating agencies, their contact persons, and their respective research topics. Currently 11 agencies, for example, the Public Health Service (of which we are a part), Department of Defense, Environmental Protection Agency, Department of Transportation, and National Aeronautics and Space Administration, are participating in the grant program. Each agency has its own mission and research interests as described in the full Solicitation for that agency. A copy of the Omnibus Solicitation for the Public Health Service is enclosed for your information.

The book How to Start Your Own Business is certainly incomplete and misleading in its listing for the SBIR program. No agency or contact person is identified with the address, which in fact, is the address for several entities within the Public Health Service. Three telephone numbers were listed without identifying the entities. The book also failed to mention that many agencies are involved in the program, but instead, picked out a small component and presented it as the sole source of information. As a result, my office has the burden of answering hundreds of irrelevant letters and phone calls.

We have learned that our office also is listed as a resource in another publication, Government Giveaways for Entrepreneurs published by Information, U.S.A., under the heading "Free money for SBIR." I was able to contact Toni Murray (301-524-8296) of that firm, who said they would correct future editions of their publication.

If you require additional information, please do not hesitate to call me at (301) 443-4223.

Sincerely yours,

Laurie L. Foudin

Laurie L. Foudin, Ph.D.
SBIR Coordinator
National Institute on Alcohol Abuse
and Alcoholism

Enclosure

The Edna McConnell Clark Foundation
250 Park Avenue, New York, NY 10017 212 986 7050

March 10, 1989

Mr. Grady Forrer
Congressional Small Business Committee
B 363, Rayburn
U.S. Congress
Washington, DC 20515

Dear Mr. Forrer:

As promised, here are Xeroxes of my recent correspondence with the FTC concerning the Wayne Phillips "affair". We have received an additional 234 written inquiries since March 29, bringing the grand total to date to 1,760!

If you need anything further, don't hesitate to call on us.

Sincerely,

Mary B. Peters

Mary B. Peters
Assistant to
the President

RESPONSE TO FTC INQUIRY

March 29, 1989
Re: File No. 8923111

Mr. John Siqueiros,
Legal Clerk
Federal Trade Commission
901 Market St., Ste. 570
San Francisco, CA 94103

Dear Mr. Siqueiros:

Thank you for your letter of March 24 addressed to John R. Coleman. For your information, Mr. Coleman retired from the Foundation in 1986 and our president now is Peter D. Bell.

With regard to your inquiry concerning advertising for the book How to Start Your Own Business, we are pleased that you have undertaken an investigation. We began receiving written and telephone inquiries last fall concerning government grants available for "employment", starting businesses, or going into the consulting business. Prompted by the book, most writers mistakenly believe we can provide — or steer them to — "government funding". As of yesterday we have logged, and responded to, [redacted], and they continue to come in. We have received other written inquiries lacking return addresses so that we could not respond; and our receptionist estimates that we have received [redacted].

You should know that prior to 1987 we had a program called "Jobs for the Disadvantaged" that attempted to "ease the transition of disadvantaged youth from inner-city high schools to the world of work". At no time, however, did we provide funds for individuals to set up their own businesses or for "employment". Our grants focused primarily on programs for disadvantaged youth within high schools.

I am enclosing the information you requested to refute that grant money is available from this Foundation for the purposes listed under the heading of "Doing Business With The Government". They include a copy of my letter to Wayne Phillips dated November 28, 1988 and never acknowledged; an example of the written inquiries we receive; a copy of the original response to written inquiries as well as an up-dated version that is more specific about the kinds of projects we support; a copy of our current guidelines describing the five programs areas that we fund; and an excerpt from our 1986 Annual Report describing the former Program for Jobs for the Disadvantaged. We have retained our file of inquiries and it is available if you should decide to pursue this matter.

As you can understand, the advertising in question has raised false hopes in thousands of individuals and has also been a severe inconvenience to us because we felt it unfair to simply ignore the inquiries. I hope that the information we are providing will be of help to your investigation. Please call on us if we can be of further assistance.

Sincerely,

Mary B. Peters
Assistant to
the President

ence.

ORIGINAL LETTER TO WAYNE PHILLIPS, NEVER ACKNOWLEDGED

November 28, 1988

(by doing business with the govt)

Mr. Wayne Phillips
13610 N. Scottsdale Road
Scottsdale, AZ 85254

Dear Mr. Phillips:

As a result of numerous telephone calls and written inquiries, we have learned that the name of this Foundation appears in the "Grant Alert" section of your book, How to Start Your Own Business.

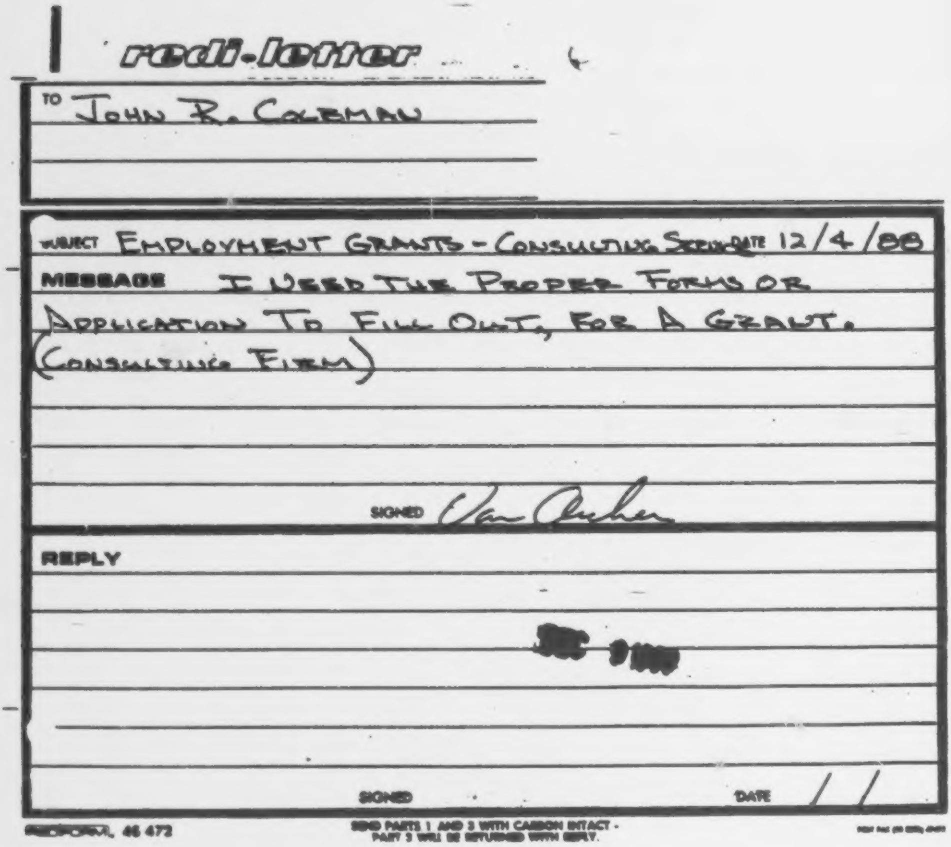
While it is true that we award grants, like most foundations we are not permitted to support private individuals; we can only provide funds to non-profit organizations that have been ruled tax exempt by the Internal Revenue Service. We are, therefore, unable to help people set up their own business. In addition, we have not had a specific program interest in "employment", the topic of concern to many of those who have communicated with us as a result of your publication. The closest we have come to that has been in our program of Jobs for the Disadvantaged (now phased out), which tried to keep disadvantaged urban students on a school-to-work track.

I realize you cannot remove our name from your publication, but I hope that you will remove it from any future printings.

Sincerely,

Mary B. Peters
Assistant to
the President

EXAMPLE OF TYPE OF REQUEST WE HAVE RECEIVED



redi-letter

TO JOHN R. COLEMAN

SUBJECT EMPLOYMENT GRANTS - CONSULTING SERVI DATE 12/4/88

MESSAGE I NEED THE PROPER FORMS OR APPLICATION TO FILL OUT, FOR A GRANT. (CONSULTING FIRM)

SIGNED Dan Archer

REPLY

DEC 9 [illegible]

SIGNED DATE / /

REDIFORM 46 472

SEND PARTS 1 AND 3 WITH CARBON INTACT - PART 2 WILL BE RETURNED WITH REPLY.

ORIGINAL RESPONSE TO REQUESTS

December 12, 1988

Thank you for your inquiry concerning grants available from this Foundation. I am afraid there has been a mistake made in listing our name as a provider of the type of grant you request.

We do not have programs in either the employment or small business area, and never have had such specific programs. In addition, we are not permitted to award grants or loans to individuals. We can only support non-profit organizations that have been ruled tax-exempt by the Internal Revenue Service.

I am sorry this must be a disappointing reply to your query.

Sincerely,

Mary B. Peters
Assistant to
the President

PRESENT, UP-DATED RESPONSE TO REQUESTS

The Edna McConnell Clark Foundation
250 Park Avenue, New York, NY 10017 212 986 7050

To:

Thank you for your inquiry concerning grants available from this Foundation. I am afraid there has been a mistake made in listing our name as a provider of the type of grant you request.

We do not have programs in either the employment or small business area, and never have had such specific programs. In addition, we are not permitted to award grants or loans to individuals. We can support non-profit organizations that have been ruled tax-exempt by the Internal Revenue Service only if their efforts fall within one of our closely targetted program areas. Those areas are:

. keeping children with their families and out of foster care;

. enhancing the curriculum in middle schools through work with school districts, state agencies, and community organizations;

. developing a more humane and effective criminal justice system;

. preventing the two major causes of infections blindness in the developing world;

. assisting homeless families in New York City as they move out of shelters and into permanent housing.

I am sorry this must be a disappointing reply to your query.

Sincerely,

Mary B. Peters

Mary B. Peters
Assistant to
the President

FROM 1986 ANNUAL REPORT

PROGRAM FOR JOBS FOR THE DISADVANTAGED

In 1986, the Foundation awarded approximately $3 million to institutions working to ease the transition of disadvantaged youth from inner-city high schools to the world of work. These school-to-work transition projects are cooperative ventures: local businesses and public schools jointly plan the projects and provide the resources. School systems and businesses have contributed three to four dollars for each dollar of Foundation support.

School-to-Work Action Programs
The Foundation currently supports several types of demonstration programs. One of these approaches is the School-to-Work Action Program, best typified by the Jobs Collaborative in Boston. In 14 city high schools, a staff person organizes a variety of work readiness activities, arranges part-time and summer jobs for eleventh and twelfth graders and helps locate permanent jobs after graduation. The early success of the Jobs Collaborative was one of several factors that led to the creation of a "compact" between local business and school leaders. This formal agreement matches measurable improvements in the schools with specific hiring commitments from local employers.

The Compact approach is now being adopted in other places. With a Foundation grant, the Oakland Alliance of the Marcus A. Foster Educational Institute operates its Job Readiness Program in five high schools in Oakland, California. Foundation support to introduce the Compact to other settings has gone to the

Industry-Education Council of California, the State of Massachusetts and the City of Portland, Oregon.

Academy Models

Another type of demonstration program which the Foundation assisted for six years is the Peninsula Academy in East Palo Alto, California, a school-within-a-school offering dropout-prone youth a three-year program combining academic and technical training. The project is closely coordinated with local businesses that are major employers in the vicinity. In 1986, the Foundation made a grant to Policy Analysis for California Education at the University of California for an evaluation of a ten-site replication of the Academy model by the California State Department of Education. In addition, the Foundation continued its support of Academy programs in Pittsburgh, Pennsylvania, and Portland, Oregon, sponsored by the local Urban Leagues.

The Partnership Projects

Since 1980, the Foundation has also supported the Partnership Projects, coordinated by Martin and Rosi, Inc., of Richmond, Virginia, an intermediary providing project management, technical assistance and training. The projects, now operating in 19 sites, are cooperative programs between businesses and schools, offering work readiness classes and part-time jobs to eleventh and twelfth graders. The Foundation has recently begun to phase down its support for general technical assistance to the various projects, concentrating instead on special curriculum development and teacher training at 12 sites. The Foundation awarded a grant to Brandeis University to analyze and disseminate the lessons learned from the Foundation's $1.5 million investment in the Partnership Projects and to assist similar efforts in other communities.

Future Directions

Recognizing that early intervention is vitally important to prevent young people from dropping out of high school, the Foundation has made a grant to Public/Private Ventures, Inc., in Philadelphia for the development of a multi-site program for ninth and tenth graders known as "The Bridge." These ten projects will offer students counseling and intensive remediation during the school year and part-time work and supplemental remediation during the summer.

In late 1986, the trustees and staff began to reassess the Program for Jobs for the Disadvantaged. Over the coming year, the Foundation will consider whether to maintain its concentration on the school-to-work transition, or, perhaps, to focus on some other aspect of inner-city school improvement.

GRANT LISTING FOR FISCAL YEAR 1986

	Awarded During Year	Unpaid at Beginning of Year	Paid During Year	Unpaid at End of Year
Demonstration Programs— School-to-Work Action Programs				
The Boston Private Industry Council, Inc. Boston, Massachusetts				
Continued support for the Job Collaborative, school-to-work transition programs, within the Boston public schools— ($80,000, 1985).		$40,000		$40,000
To plan the expansion of the Boston Compact to include other sectors of the city in addition to business.	$50,000		$25,000	25,000

E M C F

The Edna McConnell Clark Foundation

Guidelines for Grant Seekers

THE EDNA McCONNELL CLARK FOUNDATION
250 PARK AVENUE
NEW YORK, NEW YORK 10017
212-986-7050

Winter 1988/89

PURPOSE

The Edna McConnell Clark Foundation was created to improve conditions for people who are poorly served by the established institutions of society.

Through its grants, the Foundation assists nonprofit organizations and public agencies committed to practices and policies that might materially improve the lives of the people they serve. We look for promising projects that have not received adequate support and where our contribution will make a difference.

THE PROGRAMS

The current interests of the Foundation focus on five carefully defined program areas, allowing us to concentrate our funds on a few problems. This approach means that the Foundation must turn down many worthy proposals not central to our primary concerns.

The Foundation periodically reassesses its program areas. In 1988, two new programs were established: the Program for Disadvantaged Youth, which seeks to improve education in the middle grades, and the Program for Homeless Families, which is designed to support families moving from emergency shelters and hotels in New York City into permanent housing. The Foundation also regularly reviews priorities and strategies within the programs. The Program for Justice, for example, has recently begun to concentrate more of its efforts on relieving prison overcrowding in a few states.

The Program for Children seeks to assure that neglected and troubled children have permanent families by supporting:

- Programs to protect children, strengthen families, and avert unnecessary foster care through the development of crisis intervention services that are brief, intensive, and home-based
- Projects to strengthen the fiscal and administrative policies and practices of state governments in order to increase the use of family preservation services
- Application of these services in the mental health, social service, and juvenile justice systems
- Efforts to implement Public Law 96-272, the Adoption Assistance and Child Welfare Reform Act of 1980
- Organizations that strive to protect reforms which reunite children with their biological parents and provide for the adoption of hard-to-place children.

The Program for Disadvantaged Youth seeks to respond to the needs of disadvantaged urban youth in the middle grades (six through nine) for an education of high expectations, high content, and high support by assisting:

- School districts and state education agencies to develop and implement systemic reforms
- Community organizations—business groups, parent groups, universities, and advocacy organizations—to work in concert with school systems on their reform agendas
- National organizations to conduct research, disseminate information, and provide technical assistance for improvement of middle grades education.

The Program for Justice seeks to develop a more humane, just, and effective system of criminal sanctions for adults and juveniles by supporting:

- Litigation and other means of ensuring constitutional conditions in adult and juvenile correctional institutions and jails
- Efforts to reduce unnecessary incarceration of adults and juveniles by developing community-based sanctions and encouraging their use
- Clusters of projects in selected states that seek to reduce prison populations and increase community-based sanctions.

The Program for Tropical Disease Research seeks the prevention of the two major causes of infectious blindness, onchocerciasis and trachoma, by supporting:

- Research on the immunology of the parasite *(Onchocerca volvulus)* that causes onchocerciasis, or river blindness
- Studies on the immunology and pathogenesis of the organism *(Chlamydia trachomatis)* responsible for blinding trachoma in order to understand the immune response to infection, develop better diagnostic tests, and develop a vaccine
- Studies on the epidemiology of blinding trachoma in order to develop effective control strategies.

While the Foundation is gradually shifting most of its grants in this program to research on onchocerciasis and trachoma, it continues to support well-targeted projects to develop means of controlling schistosomiasis, a parasitic disease which infects more than 200 million people in the developing world.

The Program for Homeless Families seeks to assist families in New York City moving out of emergency shelters and hotels into permanent housing by supporting:

- Projects to assess and plan for the needs of families *before* and *immediately after* they leave the shelters
- Programs aimed at forming tenant associations and other mechanisms that give families a stake in their communities
- Efforts to create, improve, and expand public and social services in neighborhoods receiving large numbers of previously homeless families.

Special Projects. Most grants are restricted to the programs listed above, and virtually all grants reflect the Foundation's commitment to serve the disadvantaged.

The Foundation has traditionally maintained a special grants category in order to respond to a few important or interesting projects that may not fall into one of its five major program areas. It has allowed us to explore potential new areas for Foundation involvement and to support a cluster of organizations that protect the rights of minorities and promote opportunities for the poor.

PRACTICES AND POLICIES

- **The Office of Communications:**
  To extend the impact of grantees' work, the Office of Communications acts as a resource for the media and offers editorial assistance, limited financial support, and technical assistance to current grantees in the program areas.

  The Office also publishes and distributes: the annual report; guidelines brochure; several booklets on criminal justice and family preservation services; quarterly bibliographies on schistosomiasis, trachoma and onchocerciasis; and occasional papers of relevance to the program areas.
- **Program Advisors:**
  Each Foundation program has an advisory committee of outside experts in that particular field. Their knowledge and diverse perspectives assist the trustees and staff in assessing the progress of programs and in identifying directions and priorities for the future.
- **Financial Advisors:**
  Outside financial advisors help develop and implement the Foundation's investment strategy and monitor investment performance.
- **Affirmative Action:**
  The Foundation is an affirmative action employer and grantmaker.
- **Conflict of Interest:**
  Foundation staff must disclose affiliations that might represent conflicts of interest. The trustees do not participate in decisions on proposals about which they might be thought to have a conflict of interest because of an affiliation with the proponent.
- **Grantee Audits:**
  The Foundation reserves the right to have its independent auditors review the expenditures of grantees to determine compliance with the grant contract. Several such audits were performed in the past year.

Founders
Mr. and Mrs. W. Van Alan Clark

Board of Trustees
James M. Clark, Chairman
Peter D. Bell
Hays Clark
Drew S. Days, III
Eleanor T. Elliott
John M. Emery
Lucy H. Nesbeda
Walter N. Rothschild, Jr.
Sidney J. Weinberg, Jr.
Patricia Carry Stewart, Secretary

Office of the President
Peter D. Bell, President
Mary B. Peters, Assistant to the President

Program for Children
Peter W. Forsythe, Vice President and Director
Mara Levine, Secretary

Program for Disadvantaged Youth
M. Hayes Mizell, Director
Wanda E. Fleming, Associate
Patricia A. Washington, Secretary

Program for Justice
Kenneth F. Schoen, Director
Joan Potter, Associate
Meryl A. Weiss, Secretary

Program in Tropical Disease Research
Joseph A. Cook, Director
Mary Jo Mullan, Associate
Renée C. Ehle, Secretary

Program for Homeless Families
Susan J. Notkin, Director

Office of Communications
Ani F. Hurwitz, Director
Mary Hall, Secretary

Administration
Patricia Carry Stewart, Vice President and Financial Officer
Carolyn Mason-Burton, Secretary
Margaret R. Kenah, Office Manager
Laura J. Kielczewski, Bookkeeper
Dawn Bryant, Receptionist
Lydia Grier, Wordprocessor
Denis LaBreche, Wordprocessor
Angela Mujica, Office Assistant

PUBLICATIONS

The following publications are available from the Edna McConnell Clark Foundation:

Out of Harm's Way: The Emancipation of Juvenile Justice—a booklet by Richard J. Margolis tracing the history of juvenile justice in the United States and examining effective community-based programs for delinquent youth.

Order by the Court: Special Masters in Corrections —a booklet by Bruce Porter exploring the role of special masters in court-ordered prison reform.

Keeping Families Together: The Case for Family Preservation —a booklet describing programs and policies to avert unnecessary foster care.

Making Reasonable Efforts: Steps for Keeping Families Together—a booklet outlining the roles and responsibilities of professionals involved in foster care placement decisions.

Crime and Punishment: The Public's View—a booklet by the Public Agenda Foundation analyzing public attitudes about the criminal justice system.

Overcrowded Time: Why Prisons Are So Crowded and What Can Be Done —a booklet presenting an overview of the prison overcrowding situation and possible solutions.

Time to Build? The Realities of Prison Construction —a booklet setting forth the costs and benefits of incarceration and possible alternatives to building more prisons.

A False Sense of Security—a press kit on crime and prisons; what works, what doesn't and why.

Oncho Update, Schisto Update and *Trachoma Update* —quarterly bibliographies of articles on onchocerciasis, schistosomiasis and trachoma research.

The Strategic Plan for Onchocerciasis, The Strategic Plan for Schistosomiasis and *The Strategic Plan for Trachoma* —research and control priorities for these tropical diseases.

GRANTMAKING PROCEDURES

Grant seekers may want to read the Foundation's latest annual report and relevant program statements (available upon request) before applying for a grant. To apply, applicants should write a brief letter describing the program or project for which they are seeking funds. The letter should include the purpose of the grant, a description of the proposed activity, the identification of key participants, and an estimated budget and timeframe. It should be sent to the Foundation in an envelope clearly marked "Proposal Letter." The proposal will be reviewed by a program officer, usually within one week to a month. If the proposed activity fits the goals of one of the programs, the appropriate officer will ask for more information and a formal proposal.

The Foundation looks for a sound strategy and people capable of achieving their goals. If necessary, program officers work with grant seekers to refine their proposals. Proposals approved by the officers are reviewed and acted upon by the trustees at one of their five meetings each year.

The Foundation primarily supports organizations with a 501(c)(3) tax exemption. We do not consider requests for capital purposes, endowments, deficit operations, scholarships, or grants to individuals.

Through periodic site visits, grantee conferences, regular reports, and occasional external evaluations, the Foundation staff stay in close contact with grantees.

At the end of the Fiscal Year, September 30, 1988, the Foundation's assets were worth approximately $367 million. Its 170 grants in 1988, with a median size of $81,000, totaled about $18.8 million.

Mr. John Jakubowski
3497 Howland
Almont, Michigan 48003

APR 11 1988

Dear Mr. Jakubowski:

Thank you for your recent inquiry about the farm labor housing loan and grant program.

The Farmers Home Administration (FmHA) makes loans and grants to eligible applicants who will provide decent, safe, and sanitary rental housing and related facilities for domestic farm labor. Each applicant that applies for assistance must be given equal consideration without regard to race, color, creed, sex, or national origin. A loan may be made to an individual farmowner or association of farmers. Loans and grants can be made to State or political subdivisions, broad-based public or private nonprofit organizations, or a nonprofit organization of farmworkers.

Funds are used to build, buy, improve, or repair farm labor housing and to provide related facilities. Occupants of the housing must earn a substantial portion of their income as laborers on a farm.

Enclosed is a pamphlet that briefly outlines the program. Application forms for financial assistance are available to you through our FmHA State Office in East Lansing, Michigan at the following address and telephone number:

1405 South Harrison Road
Room 209
East Lansing, Michigan 48823
517-337-6631

Thank you for your interest in the farm labor housing loan and grant program.

Sincerely,

THOMAS F. GERLITZ

THOMAS F. GERLITZ
Director, Multi-Family
Housing
Processing Division

Enclosure

cc:
MHPD-1
MHPD-Johnson
MHPD-Pentecost
MHPD-Suspense
State Director

MHPD:Johnson,D.:382-1606:dej:Final
Recall-AlmontForm
4B-Farm Labor Housing Information

4-7-89

APR 11 1989

To whom it may concern:

Please send me information on Farm Labor Housing Loans and Grants. To provide decent, safe and sanitary low-rent housing and related facilities for domestic farm labor.

Thank You
John Jakubowski
3497 Howland
Almont, Mi. 48003

To whom this may concern.

Iam intrested in Starting my own business so I purchased the book called "How to STart Your-Own Business By Doing Business with the Goverment" by Wayne Phillips. The business Iam interested in is buying (old) houses fixing them up and renting them to low income, and you give me any information.

Thank You.
Wendy Nowlin
5929 Belle Grove Rd.
Baltimore, md. 21225

BUREAU OF
CONSUMER PROTECTION

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

June 16, 1989

The Honorable Norman Sisisky
Chairman, Subcommittee on Exports, Tax Policy,
  and Special Problems
Committee on Small Business
U.S. House of Representatives
B-363 Rayburn House Office Building
Washington, D.C. 20515

Dear Chairman Sisisky:

This letter responds to the questions raised by Congressman Bilbray during the Subcommittee's May 2, 1989 hearing on infomercials. Congressman Bilbray requested information concerning the number of cases filed by the Commission regarding program-length commercials, how long it takes to obtain a court order to stop the commercials or to obtain other remedies, and whether there is a need to increase the remedies available to the Commission for these types of cases.

The Commission has filed three actions challenging claims made in program-length advertisements,[1] has taken one action to require a program-length advertiser to honor his money-back refund,[2] and, in addition, has a number of pending non-public investigations concerning such advertisements.

When the Commission files a district court complaint challenging a deceptive advertisement, it can seek preliminary relief including a temporary restraining order and preliminary injunction immediately halting the advertising, as well as an order freezing the company's assets to assure that profits obtained through the advertisements are not dissipated before the court can determine whether it is appropriate to order the money to be used to pay redress to consumers.[3] Of course, the courts do not grant such relief automatically. In one of the two cases we filed last November challenging claims in program-length advertisements, our requests for preliminary relief were denied.[4] In the other case, we were successful in obtaining a preliminary injunction, but that order was entered five months after the action was filed.[5] The preliminary injunction in that action has now been appealed to the Ninth Circuit Court of Appeals by the defendant. We have filed a cross-appeal in that action, and we hope any decision the Ninth Circuit renders will create a more favorable precedent for obtaining preliminary relief and consumer redress in these type of cases.

---

[1] *JS&A Group, Inc.*, FTC Docket No. C-3248 (Nov. 1, 1988); *FTC* v. *Pantron I Corp.*, Civ. No. 88-6696-RG (Ex) (C.D. Cal. Nov. 14, 1988)(Complaint filed); *FTC* v. *California Pacific Research, Inc.*, CV-N-88-602-BRT (D. Nev. Nov. 14, 1988)(Complaint filed).

[2] *FTC* v. *Wayne Phillips Seminars, Inc., et al.*, Civ. No. 88-1220 PHX CAM, (D. Ariz. Aug. 1, 1988).

Because the Commission's non-public investigations of program-length commercials have focused on whether the underlying claims for the products being advertised are true as well as whether the format of the commercial is misleading, investigations that involve program-length advertisements have taken from a few months to almost a year. The length of these investigations varies with the number of parties and products under investigation, the type of claims being made in the advertising for the product, the complexity of the data or scientific literature underlying these claims, and the relative priority assigned to the matter. Moreover, the process of developing sufficient evidence to justify a request for an asset freeze and consumer redress can itself delay filing of charges. I believe, however, that lessons we have learned from our present investigations of this type of advertising will allow us to improve our response time in future investigations.

---

[3] FTC v. World Travel Vacation Brokers, Inc., No. 87-C8449, (N.D. Ill. Dec. 18, 1987)(Preliminary injunction), aff'd, (7th Cir. Nov. 9, 1988).

[4] FTC v. Pantron I Corp., Civ. No. 88-6696-RG (Ex)(C.D. Cal. Feb. 2, 1989)(Preliminary Injunction Denied).

[5] FTC v. California Pacific Research, Inc., CV-N-88-602-BRT, (D. Nev. April 10, 1989)(Preliminary Injunction).

The Commission has available to it a variety of remedies that can be used to address deceptive advertising violations. These include the power to seek consumer redress[6] or, where consumer redress is impractical, to seek disgorgement of profits made from the deceptive advertising.[7] In each of our two pending litigations involving claims made in program-length commercials we are seeking orders requiring the defendants to pay consumer redress. Similarly, in our earlier case against Wayne Phillips, we obtained an order requiring him to refund $241,000 to consumers who were seeking refunds under his advertised money-back guarantee policy.

As indicated in the Commission testimony, we are hopeful that the Commission's current and planned cases will remedy the problems that appear to be occurring in this area. In addition to these actions, we also plan to have a Commission representative attend a major industry conference this July and discuss directly with the industry steps that can be taken to remedy these problems. In the event our current efforts prove unsuccessful, the Commission may wish to return to the Subcommittee with specific legislative recommendations for this type of advertising. Moreover, I believe the Subcommittee's hearing and its apparent willingness to consider appropriate legislative recommendations will provide additional incentives to the industry to correct current problems on a voluntary basis.

Thank you for the opportunity to submit this information for the record. If I can be of any further assistance, please let me know.

Sincerely,

William MacLeod

William C. MacLeod
Director

---

[6] *FTC* v. *Kingsbridge Media and Marketing, Inc.*, No. Civ-88-0003 (D. Ariz. June 7, 1988)(Stipulated Permanent Injunction Including $1.1 Million Consumer Redress).

[7] *General Nutrition, Inc.*, FTC Docket No. D-9175, (Mar. 14, 1988)(Required to pay $600,000 for research).

State of Florida

BOBBY BRANTLEY
Lieutenant Governor
Secretary of Commerce

May 1, 1989

Honorable Norman Sisisky, Chairman
House Subcommittee on Export Tax Policy
and Special Problems
Room 363 B, RHOB
United States Congress
Washington, D. C. 20515

Dear Congressman Sisisky:

Please accept this letter as testimony from the State of Florida, Department of Commerce on the adverse effect that the repeated airings of the Wayne Phillips' commercial is having on the citizens of Florida.

The Florida Department of Commerce operates a toll free business assistance and information line to answer questions on starting a business in Florida, licensing requirements, financing, exporting, taxes, etc. Each call is documented and responded to promptly. In October 1988, the Department's Bureau of Business Assistance started receiving calls from people throughout the state looking for a "grant" to start a business. When we questioned the callers, we found there was a television show in which Wayne Phillips talks about all the grants available to start businesses, but provides no specifics on where to get these grants -- only that they are easy to obtain. Further research on our part revealed that the television show was really a TV commercial in the guise of a talk show designed to promote a book, authored by Mr. Phillips, entitled, How to Start Your Own Business By Doing Business With the Government.

We checked with the Small Business Administration in Jacksonville to see if they had heard of such grant programs. SBA was receiving the same type of calls and they had no knowledge of such grants for general business start-ups. SBA shared their interoffice correspondence with us which explained how they were handling the situation, and indicated their Associate General Counsel wrote Mr. Phillips in November, 1988 and asked him to stop airing the commercial. The commercial has continued to air in Florida as of April 30, 1989.

As a result of the commercial, we have received 506 calls and numerous letters since October 1988. The callers were under the impression that grant money was available and easy to obtain. One young woman traveled from Miami to Tallahassee to obtain one of these grants, but to no avail. An example of the types of letters we have received is attached.

Although the Wayne Phillips' commercial has increased the workload of the Department's staff, our primary concern is the frustration the callers experience when they are told that grants are not available and that monies are not available under executive orders 11625 and 12138. Also, callers are disappointed to learn that the Small Business Innovation Research Program (SBIR) requires a highly sophisicated level of technology research and development and that the program is extremely competitive.

In attempting to respond to the requests, each caller is mailed information on the SBA 7(a) guarantee loan program and other pre-packaged information including a publication on starting a business in Florida and on SBIR.

Our staff has listened to the commercial and has a copy of the book. We feel that the commercial is misleading and has deterred many potential business owners from pursuing other state programs that may be of assistance to them in starting their business. Several callers refused to believe that these grants were not available, indicated that we were not well informed, and would not listen to information on available state programs.

We sincerely hope that the Congressional Small Business Committee also finds the commercial misleading, and that some action is taken to prevent its further use. We will be happy to provide additional input if needed.

We appreciate your initiatives in resolving this matter, and will continue to support your efforts.

Sincerely,

Bobby Brantley

Bobby Brantley
Lieutenant Governor
Secretary of Commerce

cc: Congressman Andy Ireland

March 28, 1989

Shirley Gross,
W-8 Fountainview Village
Blackwood NJ 08012

RE: Minority owned business ORDER #12138

Dear

I have aquired 5# acres of land in Flordia, Jefferson County. I am requesting information and referrals, service regarding small business enterprises. Order #12138 government business plan.

I understand that the government encorages economic growth with women and minority owned business. Through a program that the government will pay you to do business with them. Please send me any information on this program that will help me, or any other related small business guidance to help me borrow the money I need
(1) How to do business with the government
(2) Avilablity of funds through State, Fedreal and Local Departments
To help me meet my objective.

No house is on the property at the persent time. I wish to start a home for the elderly persons, senior citizens care. Employment of nurse aids, cooks, laundry preson and yard service as a resolute of this, I thank you for your time and your consideration in advance and await your reply.

Very truly your,
Shirley Gross
Shirley Gross

RECEIVED
APR [illegible] 1989

General Services Administration
Washington, DC 20405

April 24, 1989

Mr. Grady Forrer
House Small Business Committee
Rayburn House Office Building
Room 363
Washington, DC 20515

Dear Mr. Forrer:

As requested, enclosed for your information are copies of letters requesting information on grants and loans.

Since January 1989, the GSA has replied to approximately 1000 letters and several hundred phone calls on obtaining a grant or loan.

We hope this information will assist you in the hearing being held on May 2, 1989. If you need any further information, please call Darlene Gauer on 566-1476.

Sincerely,

JOHN F. WYNN, JR.
Director
Office of Small and Disadvantaged
Business Utilization

Enclosures

January 5, 1989

Ms. Kathy Hoskins
Rt. 3, Box 247-b
Speedwell, TN 37870

Dear Ms. Hoskins:

This is in response to your letter of December 21, 1988, and confirms a recent telephone conversation with Ms. Darlene Gauer of this office. The General Services Administration (GSA) does not issue grants or loans.

We do, however, recommend that you contact the Small Business Administration (SBA), Nashville District Office, Parkway Towers, 404 James Robertson Parkway, Nashville, Tennessee 37219 (615) 736-5881. This office will provide you with guidance and counseling on obtaining an SBA loan.

Enclosed for your information are various publications on contracting opportunities with GSA and other Federal agencies. We hope that you will find the information contained in these publications helpful.

If you have any questions or need further information, please contact Ms. Darlene Gauer on (202) 566-1479.

Sincerely,

(SIGNED) MIRINDA JACKSON

MIRINDA JACKSON
Acting Director
Office of Small and Disadvantaged
Business Utilization

Enclosures

AU:OF
RF

AU:Gauer:gt:566-1479:1/5/89

Haven

December 21, 1988

Dear Sirs,

Please send any information concerning grants and/or small business loans for women-owned and operated businesses (mobile home moving business) to the below listed address.

Any information you can offer would be greatly appreciated.

Thank You,

Kathy Hoskins

Kathy Hoskins

Kathy Hoskins
Rt.3 Box 247-b
Speedwell, TN 37870

(615) 869-8471

615-736-3881 - SBA
Financial Division

Nashville District Ofc
Parkway Towers - Rm 1012
404 James Robertson Pkwy
Nashville, TN. 37219

Darlene

January 3, 1989

General Services Administration
18th and F streets NW
Washington, D. C. 20405

Dear Sirs,

I am a woman interested in starting my own small business. I am interested in obtaining properties for renovation to house low income or elderly persons.

I understand under the Preferential Contracting Program order # 12138, there are government grants, loans, etc. available for businesses such as this. I am also interested in obtaining government contracts to do such work.

Could you please send me any information that will help me to get started in my venture. Also, whatever information is available on the process of obtaining government contracts for housing projects.

Thank You

Lori L. West

Lori L. West
325 Forest St.
Oswego, Il 60543

Jim

Mr, Representitive.
GSA Main office.
18th and F-Sts. N.W.
Washington D.C. 20405

Mr. Dennis K. Ackerman
Genuine K. Company.
4426 E. Weldon Ave.
Phoenix, Arizona. 85018

TRADE NO. 68952 STATE OF AZ.
Tax No. 07283838 Q STATE of Az.
Tax No 8400 5176 City of Phoenix
Small Business License 95-50050 City of Phoenix.
License to do Business in Public.
Small Business Capitalist and Entrepreneur.
By the Maranda Rights, justice system.
Quick & Speedy; Approval.
By the Hereby enacted & signed into Public Law
Mr. President, Mr. R. Regan.
95-000000 Small Business Public Law Code. under license
Mr. Dennis K. Ackerman owner/operator 95-30050
Application to stay in Small Business By doing Business
w/ the government.

Request under Public Law code, financial Assistance
under Public Law HR 5050, Special Business Bill
Incubator Program financing $50,000.00
By Public Law 950507, Preferential Procurement
Programs, finance. insures that Small business
is not over looked, authorizes goods and Services

Please send Application & information on
Receiving the $50,000.00. To Stay in Business
Need financial Assistance!
Thank You Mr. Dennis K. Ackerman

Reference from, Book By Wayne Phillip's
How to Start your own Business By doing Business w/.
the government!

UNITED STATES DEPARTMENT OF COMMERCE
International Trade Administration
Washington, D.C. 20230

April 10, 1989

MEMORANDUM FOR: Graydon Forrer
House Small Business Committee

FROM: Shirley M. Smith
Secretary
Export Promotion Services
U.S. and Foreign Commercial Service

SUBJECT: Wayne Phillips and his publication How to Start Your Own Business By Doing Business with The Government

Per your request, I have attached a packet of information we send to inquiries regarding grants/loans for starting a business or for expanding exporting efforts.

We began hearing from people in 1986 as a result of Matthew Lesko's book, How to Get Your From the Government. At that time, we informed these inquiries as well as Mr. Lesko (407 Willard Ave., Chevy Chase, MD, 657-1200) that we were listed in the Federal Catalog of Domestic Assistance under "Non-Financial Assistance."

We have recently been contacted by purchasers of a list of phone numbers of government agencies giving grants, published by Gibbs Publishing, 33 Commerce Place, P.O. Box 207, Vacaville, CA 95696, (707) 448-5420. The advertisement for the Gibbs listing appears in the Los Angeles Time and several magazines.

Attachment

UNITED STATES DEPARTMENT OF COMMERCE
International Trade Administration
Washington, D.C. 20230

DIRECTOR GENERAL FOR THE U.S. AND
FOREIGN COMMERCIAL SERVICE

FEB 9 1989

Mr. Wayne Phillips
Publisher
USES, Inc.
Suite 10-283
13610 North Scottsdale Road
Scottsdale, Arizona 85254

Dear Sir:

We continue to receive many phone calls and letters from purchasers of your publication "How to Start Your Business by Doing Business with the Government," inquiring about grants for export promotion.

Please be advised that Export Promotion Services does not offer grants of any kind, for any purpose. We do offer services for exporters, but at a fee which recovers any directly associated costs. Enclosed for your information is a copy of the pertinent section of the 1988 Catalog of Federal Domestic Assistance, published jointly by the Office of Management and Budget and the General Services Administration, which states under Section 11.108 that Export Promotion Services offers non-financial assistance.

Our efforts to properly respond to inquiries from individuals seeking grants from Export Promotion Services is a large drain on our resources -- a cost that is ultimately borne by taxpayers.

Please take appropriate steps to remove this incorrect information from future editions of this publication. Until such time as this problem is resolved, we will provide a copy of this letter in response to each inquiry we receive.

Sincerely,

Lew W. Cramer

EXPORT NOW

It Makes Good Business Sense

U.S. DEPARTMENT OF COMMERCE
International Trade Administration
U.S. and Foreign Commercial Service

EXPORT NOW

It makes good business sense

For the first time in many years, U.S. companies are strategically positioned to profit from exporting their products and services to many nations. Today's economic climate is ideal for you to begin or expand your exporting ventures.

Selling goods and services in foreign markets doesn't have to be complicated and confusing. In fact, it can be stimulating and profitable. Firsthand knowledge of overseas markets and the exporting process can greatly increase your company's chances for exporting success.

But finding the information and advice you need to enter–and succeed–in world markets can be a major problem.

> *"We would not stay in business if it were not for our export sales."*
>
> *—William Clark*
> *President*
> *Gateway Precision, Inc.*

> *"Having a local office of the Department of Commerce to help us . . . has been a godsend. They are very real and helpful people, not just impersonal voices thousands of miles away These people have contributed several hundred thousand dollars to our overseas sales."*
>
> *—Ann Barbee*
> *International Sales Manager*
> *Network General*
> *Mountain View, California*

INTRODUCING THE EXPORTING EXPERTS:

THE U.S. AND FOREIGN COMMERCIAL SERVICE

Our more than 1100 trade professionals around the world are dedicated to your export success. We're available to help you export your goods or services in virtually all major world markets, and offer highly effective services to help you every step of the way.

> *"The assistance provided by your organization has been very beneficial. US&FCS programs are the best kept secrets in international trade."*
>
> *—Bob Johnston*
> *Director of Marketing*
> *Optical Radiation Corporation*
> *Azusa, California*

We can analyze foreign markets, conduct customized in-country studies of your product's competition, help you find buyers and representatives overseas–even take your product on tour abroad via catalog or video shows. Our programs are strategically structured to meet your international marketing needs and to make your exporting ventures as profitable and painless as possible.

> *"An awful lot of credit for my company's export growth must go to the U.S. Department of Commerce, in particular to the Greensboro District Office and their trade specialists."*
>
> *—Greg Smith*
> *Chairman and CEO*
> *Electrical South, Inc.*
> *Greensboro, North Carolina*

Established in 1982 to help American exporters compete more effectively in the world marketplace, the U.S. and Foreign Commercial Service (US&FCS) is the U.S. Government's only international trade agency with a worldwide delivery system.

Our experienced international trade specialists are based in 66 major U.S. cities and 126 locations abroad. *We are there for you,* whether you're in Cleveland or Calcutta, San Francisco or Singapore.

U.S.-based trade specialists reach out to businesses with export potential, conducting more than 100,000 one-on-one counseling sessions with U.S. companies every year. Most business clients work with one trade specialist in their local office throughout their exporting experience. This close working relationship enables your trade specialist to develop an in-depth understanding of your export needs.

Drawing from a large commercial data base fed by our commercial officers overseas, your trade specialist can develop marketing packages for your company, individually tailored to your specific products or services and oriented to your marketing goals.

Your trade specialist keep you posted on upcoming export workshops, conferences and seminars in your area, as well as domestic and overseas trade events that offer good potential for promoting your products or services.

Trade specialists overseas do on-the-spot market research, including customized individual studies; search for sales leads, qualified agents and distributors; make appointments with key buyers and government officials; and counsel firms frustrated by trade barriers. They speak the host-country language, understand local customs, traditions and trade regulations, and can be a particularly valuable resource when you're visiting overseas markets in person.

> *". . . without your guidance and programs our success in overseas markets would not have reached this level."*
>
> *—James Yoder*
> *President*
> *Beauty Products International*
> *Malibu, California*

With this global network of trade specialists and commercial officers, supported by overseas market research and a Washington, D.C., staff, the U.S. and Foreign Commercial Service is in a unique position to serve you. We can support your export efforts with sophisticated marketing information and the most direct product promotion assistance available anywhere.

GETTING STARTED

STEP 1.

MARKET RESEARCH

> *". . . when I call the District Office with a question, I either get the answer immediately or a referral to the person with the answer."*
>
> *—Bruce Meyer*
> *National/International*
> *Accounts Manager*
> *Marquest Medical Products, Inc.*
> *Englewood, Colorado*

The first step in successful exporting is to identify the best markets for your products or services.

If you want to know how your industry's products are selling around the world, which markets are growing the fastest, which ones are changing, or which ones want to buy more of your products, we have the answers for a large number of U.S. industries. We can provide highly specific analysis of your target markets, tailored to your industry and potential customers.

Under the guidance of the US&FCS, experienced research analysts overseas continually collect and analyze business and economic data. They search for specific export opportunities and identify market trends affecting trade, investment and other issues of concern to U.S. businesses interested in trading abroad.

Each year, the US&FCS contracts for more than 90 market research reports through U.S. embassies abroad, and 60-80 more concise studies are prepared by US&FCS staff at overseas posts. This wealth of international marketing data is available to you through your nearest US&FCS office.

CIMS, our new **Commercial Information Management System**, will soon electronically link all the economic and marketing information of our offices worldwide, speeding delivery of vital business data and allowing us to serve you even better.

Through **CIMS** and a variety of other resources, we can develop individually tailored information packages on foreign business and economic climate; import regulations; tariff and non-tariff barriers; domestic and foreign competition; individual competitor firms and competitive factors; distribution practices; how products are promoted in the market; policies and product standards; end-users; and more.

"As executive editor of a new journal . . . designed to meet the needs of the international business person, I have found my local US&FCS Office . . . to be one of our most valuable sources of information."

—David Moore
President and Executive Editor
North East International
Business
Rye, New York

"It's just a brilliant concept—using [Department of Commerce] talents to identify customers and distributors for small business."

—John W. Peterson
Director and Vice President
(retired)
Racine Federated, Inc.
Racine, Wisconsin

We can also identify foreign agents, distributors, importers, manufacturers, retailers, government purchasing officials, and end-users interested in your product or service type. We'll provide names, contacts, telex and telephone numbers, cable addresses, product or service specialties, year established, number of employees and relative size—all tailored to the specifications you supply.

Ask us about:

Custom Statistical Service: Your trade specialist can provide you with up-to-date marketing data on thousands of individual products and markets in more than 200 countries. This statistical information is gathered from both U.S. and U.N. sources, using sophisticated and flexible software programs that allow the data to be extracted by dollar value, quantity, unit value, market share percentage, and varying time frames.

Comparison Shopping: Check out your overseas competition through this personalized product-shopping service available in selected markets abroad. US&FCS in-country staff will conduct on-the-spot surveys to determine key marketing facts about your product and its competition, including sales potential, comparable products, distribution channels, going price, competitive factors, and qualified purchasers.

STEP 2.

FINDING OVERSEAS CONTACTS

Once you know your best markets, your next move is to locate potential agents, distributors, buyers, or joint-venture partners overseas.

Use these programs to find the best outlets for your products:

Trade Opportunities Program (TOPS): Locate ready and willing international customers interested in your type of product or service. Your trade specialist can provide details on specifications, quantities, end-use, delivery and bid deadlines. These leads are available electronically or in printed form through a variety of public and private sources.

Commercial News USA: For less than $200, showcase your product or service in this export promotion catalog-magazine distributed to more than 100,000 pre-screened foreign agents, distributors, government purchasing officials and end-users worldwide. Responses from interested readers will come directly to you–address coded for easy identification.

"Would be willing to pay $1,000 to advertise our product again in Commercial News USA. *Never even hoped for the number of responses received."*

—Doug Randolph
Vice President
DeRan, Inc.
Lubbock, Texas

Agent/Distributor Service: Let us show your product literature to potential agents and distributors abroad. This personalized search for qualified foreign representatives will identify up to six prospects who have examined your product literature and expressed interest in representing your product. We do the leg work–you reap the sales.

"As a result of the outstanding efforts of the . . . U.S. and Foreign Commercial Service, my business trip to West Germany and France was a great success . . . these offices are providing a vital service to American business people who are trying to export . . . "

—Paul E. Schutt
President
Edward Allyn Ltd.
Juneau, Alaska

STEP 3.

EVALUATING OVERSEAS CONTACTS

Your export success greatly depends on the quality and reliability of your contacts abroad. Now that you've found potential customers or representatives, how can you assess their reliability as trading partners?

Find out with:

World Traders Data Reports (WTDRs): Your trade specialist can prepare up-to-date, made-to-order background checks of your potential trading partners. Your WTDR will include background information on the foreign firms you select, their standing in the local business community, credit-worthiness, and overall reliability and suitability as trade contacts.

> *"The combination of careful collaboration between our company and the US&FCS offices in Pittsburgh and Kuwait was successful in outselling two U.K. firms for a major construction management award."*
>
> *—George Fecthter*
> *President*
> *Limdach International Corporation*
> *Pittsburgh, Pennsylvania*

STEP 4.

MAKING CONTACT–HERE AND OVERSEAS

Trade events can be a profitable component of your marketing plan. You can invest as much money and effort as you choose, depending on your strategy. Trade events can be as simple as sending your product catalogs overseas or as intense as participating in a major international exhibition.

Meet potential customers face to face—or send your catalog "on tour" via:

"Matchmakers" and Trade Missions: Take the guesswork out of international travel—join a US&FCS "Matchmaker" delegation or trade mission to target markets selected for their high potential for your particular industry. We'll accompany you overseas, arrange a full schedule of appointments with qualified foreign agents, distributors, or customers, and provide complete logistical and promotional support. US&FCS also sponsors state- and industry-organized trade missions.

Catalog and Video Shows: Gain market exposure for your product or service without the cost of traveling overseas. Send your product literature or promotional video on tour abroad with a US&FCS trade specialist, who will show your materials to interested buyers in selected countries.

> *"Tremendous number of qualified sales representative appointments. Would have taken me months/year to interview this number of qualified reps. Consider it a great investment."*
>
> *—John M. Boatman*
> *President*
> *Vanistor Corporation*
> *Sevierville, Tennessee*

Foreign Buyer Program: No time to travel? Let us introduce you to qualified foreign buyers here in the United States at selected U.S.-based trade shows. The US&FCS promotes these shows worldwide to attract foreign buyer delegations, manages an International Business Center, and counsels participating U.S. firms.

Trade Fairs: Meet potential customers face-to-face and assess the competition at trade fairs around the world. At US&FCS-certified international trade fairs, you'll receive special services to enhance your market promotion efforts.

> *"(Department of Commerce District Office) continuing assistance, together with the excellent trade missions programs produced by the DOC, has enabled us to double our international sales each year until today CCS sales outside of the U.S. contribute more than one-third of our total multimillion dollar annual revenues."*
>
> *—Edward F. Hargroves*
> *Chairman and CEO*
> *Credit Card Software, Inc.*
> *Orlando, Florida*

STEP 5.

PUT THE EXPORT NETWORK TO WORK FOR YOU

To find out how we can work for you, **call 1-800-343-4300, operator 199,** or find the phone number of your nearest U.S. Department of Commerce District Office in your local phone directory.

A trade specialist will be pleased to discuss your marketing needs and show you how our services can benefit your company.

COST

Counseling services of your trade specialist are provided free of charge. Custom services, such as Comparison Shopping, *Commercial News USA*, CIMS, and participation in trade events and other activities carry participation fees, which are kept as low as possible to enable the participation of smaller businesses.

> *" Thanks to you . . . I am officially an 'exporter' and it feels great!"*
>
> *— Bob Jackvony*
> *President*
> *Aba-Tron Industries*
> *Beverly Hills, California*

1988 CATALOG OF FEDERAL DOMESTIC ASSISTANCE

Executive Office of the President
Office of Management and Budget
Washington, DC 20503

U.S. General Services Administration
Washington, DC 20405

NON-FINANCIAL ASSISTANCE PROGRAMS

DEPARTMENT OF AGRICULTURE

10.001 Agricultural Research—Basic and Applied Research
10.025 Plant and Animal Disease and Pest Control
10.028 Animal Damage Control
10.140 Minority Research and Teaching Grants
10.153 Market News
10.155 Marketing Agreements and Orders
10.162 Inspection Grading and Standardization
10.163 Market Protection and Promotion
10.164 Wholesale Market Development
10.165 Perishable Agricultural Commodities Act
10.250 Agricultural and Rural Economic Research
10.350 Technical Assistance to Cooperatives
10.375 Human Nutrition Information Service
10.477 Meat and Poultry Inspection
10.550 Food Distribution
10.558 Child Care Food Program
10.565 Commodity Supplemental Food Program
10.567 Needy Family Program
10.664 Cooperative Forestry Assistance
10.700 National Agricultural Library
10.800 Livestock, Meat and Poultry Market Supervision
10.900 Great Plains Conservation
10.901 Resource Conservation and Development
10.902 Soil and Water Conservation
10.903 Soil Survey
10.904 Watershed Protection and Flood Prevention
10.905 Plant Materials for Conservation
10.906 River Basin Surveys and Investigations
10.907 Snow Survey and Water Supply Forecasting
10.908 Resources Inventory
10.910 Rural Abandoned Mine Program
10.950 Agricultural Statistics Reports

DEPARTMENT OF COMMERCE

11.001 Census Bureau Data Products
11.002 Census Data User Services
11.003 Census Geography
11.004 Census Intergovernmental Services
11.005 Census Special Tabulations and Services
11.006 Personal Census Search
11.025 Measures and Analyses of the U.S. Economy
11.027 Productivity and Economic Growth
11.100 Export Licensing Service and Information
11.106 Antidumping Duties
11.107 Countervailing Duty on Imports
* 11.108 Export Promotion Services
11.110 Trade Development
11.111 Foreign-Trade Zones in the United States
11.400 Geodetic Surveys and Services
11.413 Fishery Products Inspection and Certification
11.601 Calibration and Testing Services
11.603 National Standard Reference Data System
11.604 Standard Reference Materials
11.606 Weights and Measures Service
11.610 National Center for Standards and Certification Information
11.650 National Technical Information Service
11.900 Patent and Trademark Technical Information Dissemination

11.108 EXPORT PROMOTION SERVICES

ENERAL AGENCY: INTERNATIONAL TRADE ADMINISTRATION, DEPARTMENT OF COMMERCE

UTHORIZATION: 15 U.S.C. 1512; and 15 U.S.C. 649a, et seq.

BJECTIVES: To encourage U.S. firms to enter into and expand their marketing efforts in export trade and to inform these firms of export methods, benefits, and opportunities; and to assist them to identify and assess potential overseas trade contacts and opportunities.

TYPES OF ASSISTANCE: Advisory Services and Counseling.

SES AND USE RESTRICTIONS: Services include: 1) Export awareness counseling and publications designed to stimulate U.S. business to initiate and increase export activities, 2) information on overseas trade opportunities, 3) guidance to U.S. business on the use of market identification, market assessment, and contact information; 4) non-financial assistance in display and sales promotion (trade and industrial exhibits, export development offices, trade missions, catalog shows, and product promotions through magazine listings); 5) support to State and private sector organizers of selected domestic and overseas trade fairs and missions through foreign buyer shows, certified trade fairs and State/industry organized Government approved missions; 6) information on trade statistics, foreign tariffs, customs regulations and procedures, market potential in individual countries, and other related activities; and 7) advice and counseling on foreign trade and individual overseas markets.

ELIGIBILITY REQUIREMENTS:

Applicant Eligibility: Any U.S. citizen, firm, organization, or branch of government needing information or assistance in international business matters.

Beneficiary Eligibility: Any U.S. citizen, firm, organization or branch of government needing information or assistance in international business matters.

Credentials/Documentation: None.

APPLICATION AND AWARD PROCESS:

Preapplication Coordination: Not applicable.

Application Procedure: Not applicable.

Award Procedure: Not applicable.

Deadlines: Not applicable.

Range of Approval/Disapproval Time: Not applicable.

Appeals: Not applicable.

Renewals: Not applicable.

ASSISTANCE CONSIDERATIONS:

Formula and Matching Requirements: Not applicable.

Length and Time Phasing of Assistance: Not applicable.

POST ASSISTANCE REQUIREMENTS:

Reports: None.

Audits: None.

Records: None.

FINANCIAL INFORMATION:

Account Identification: 13-1250-0-1-376.

Obligations: (Operations and administration) FY 87 $80,786,000; FY 88 est $77,408,000; and FY 89 est $91,691,000.

Range and Average of Financial Assistance: Not applicable.

PROGRAM ACCOMPLISHMENTS: Counseled business executives, assisted U.S. business firms in their pursuit of major foreign projects and products sales contracts, provided trade opportunity leads, and provided U.S. business firms with export statistics, market research, Agent/Distributor Reports, World Trader Data Reports, Export Contact Lists, Trade Lists, and a variety of other marketing information products. Assisted U.S. business firms in their participation in major overseas promotional exhibitions and trade missions. Provided in-depth counseling and marketing information through correspondence, personal visits, and by telephone to U.S. business representatives.

REGULATIONS, GUIDELINES, AND LITERATURE: A Basic Guide to Exporting; Commercial News USA; program/service literature; conditions of participation and Federal Register notices.

INFORMATION CONTACTS:

Regional or Local Office: Local Department of Commerce, US & FCS District offices listed in Appendix IV of the Catalog.

Headquarters Office: Office of the Director General, Room 3802, U.S. and Foreign Commercial Service, Department of Commerce, Washington, DC 20230. Telephone: (202) 377-5777 (Use same 7-digit number for FTS.).

RELATED PROGRAMS: None.

EXAMPLES OF FUNDED PROJECTS: Not applicable.

CRITERIA FOR SELECTING PROPOSALS: Not applicable.

U.S. Department of Commerce International Trade Administration District Offices

ALABAMA, Birmingham - Rm.
302, Berry Bldg., 2015 2nd Ave. N.,
35203. Tel: (205) 731-1331.

ALASKA, Anchorage - 701 C Street,
P.O. Box 32, 99513.
Tel: (907) 271-5041.

ARIZONA, Phoenix - Fed. Bldg. &
U.S. Courthouse, 230 N. 1st Ave.,
Rm. 3412, 85025.
Tel: (602)261-3285.

ARKANSAS, Little Rock - Ste. 811,
Savers Fed. Bldg., 320 W. Capitol
Ave., 72201. Tel: (501) 378-5794.

CALIFORNIA, Los Angeles - Rm.
800, 11777 San Vicente Blvd., 90049.
Tel: (213) 209-6705.

Santa Ana - Ste. 1, 116-A, W. 4th
St., 92701. Tel: (714) 836-2461.

San Diego - 6363 Greenwich Dr.,
92122. Tel: (619) 557-5395.

San Francisco - Fed. Bldg., Box
36013, 450 Golden Gate Ave.,
94102. Tel: (415) 556-5860.

COLORADO, Denver - Rm. 119,
U.S. Customhouse, 721 19th St.,
80202. Tel: (303) 844-3246.

CONNECTICUT, Hartford - Rm. 610-
B, Fed. Bldg., 450 Main St., 06103.
Tel: (203) 240-3530.

DELAWARE, Served by
Philadelphia.

DISTRICT OF COLUMBIA, Rm.
1066, Dept. of Commerce, 14th &
Constitution Ave. NW., 20230.
Tel: (202) 377-3181.

FLORIDA, Miami - Ste. 224 Fed.
Bldg., 51 SW. 1st Ave., 33130.
Tel: (305) 536-5267.

Clearwater - 128 N. Osceola
Ave., 33515. Tel: (813) 461-0011.

Jacksonville - 3100 University Blvd.
S., 32216. Tel: (904) 791-2796.

Orlando - Ste. 1439, 111 N. Orange
Ave., 32802. Tel: (305) 648-1608.

Tallahassee - Rm. 401, Collins Bldg.,
107 W. Gaines St., 32304.
Tel: (904) 488-6469.

GEORGIA, Atlanta - Ste. 504, 1365
Peachtree St., NE., 30309.
Tel: (404) 347-7000.

Savannah - Rm. A-107, 120
Barnard St., 31402.
Tel: (912) 944-4204.

HAWAII, Honolulu - 4106 Fed. Bldg.,
P.O. Box 50026, 300 Ala Moana Blvd.,
96850. Tel: (808) 541-1782.

IDAHO, Boise - 2d fl., Int'l. Trade
Center, 700 W. State St., 83720.
Tel: (208) 334-3857.

ILLINOIS, Chicago - 1406 Mid
Continental Plaza Bldg., 55 E. Monroe
St., 60603. Tel: (312) 353-4450.

Palatine - W.R. Harper College,
Algonquin & Roselle Rds., 60067.
Tel: (312) 397-3000.

Rockford - 515 N. Court St., P.O.
Box 1747, 61110-0247.
Tel: (815) 987-8123.

INDIANA, Indianapolis - 357 U.S.
Court-house & Fed. Bldg., 46 E. Ohio
St., 46204. Tel: (317) 269-6214.

IOWA, Des Moines - 817 Fed. Bldg.,
210 Walnut St., 50309.
Tel: (515) 284-4222.

KANSAS, Wichita - Ste. 565, River
Park Pl., 727 N. Waco, 67203, Tel:
(316) 269-6160.

KENTUCKY, Louisville - Rm 636B,
Gene Snyder Courthouse &
Customhouse, 601 W. Broadway
40202. Tel: (502) 582-5066.

LOUISIANA, New Orleans - 432
World Trade Center, No. 2 Canal St.
70130. Tel: (504) 589-6546.

MAINE, Augusta - 77 Sewall St.
04330. Tel: (207) 622-8249.

MARYLAND, Baltimore - 415 U.S.
Customhouse, Gay & Lombard Sts.,
21202. Tel: (301) 962-3560.

MASSACHUSETTS, Boston - Ste.
307, World Trade Center,
Commonwealth Pier Area, 02110.
Tel: (617) 565-8563.

MICHIGAN, Detroit - 1140 McNamara
Bldg., 477 Michigan Ave., 48226.
Tel: (313) 226-3650.

Grand Rapids - Rm. 409, 300
Monroe NW., 49503.
Tel: (616) 456-2411.

MINNESOTA, Minneapolis - 108 Fed.
Bldg., 110 S. 4th St., 55401.
Tel: (612) 348-1638.

MISSISSIPPI, Jackson - Ste. 328,
300 Woodrow Wilson Blvd., 39213.
Tel: (601) 965-4388.

MISSOURI, St. Louis - Ste. 610, 7911
Forsyth Blvd. 63105.
Tel: (314) 425-3302-4.

Kansas City - Rm. 635, 601 E. 12th
St., 64106. Tel: (816) 426-3141.

MONTANA, Served by Denver.

NEBRASKA, Omaha - 1133 "O" St.,
68137. Tel: (402) 221-3664.

NEVADA, Reno - #152, 1755 E.
Plumb Ln., 89502.
Tel: (702) 784-5203.

NEW HAMPSHIRE, Served by
Boston.

NEW JERSEY, Trenton - Ste. 211,
3131 Princeton Pike, 4-D, 08648.
Tel: (609) 989-2100.

NEW MEXICO, Sta. Fe - Economic
Development & Tourism Dept., Int'l.
Trade Div., 1100 St. Francis Dr.,
87503. Tel: (505) 827-0350.

Albuquerque - Ste. 4303, 517 Gold
SW., 87102. Tel: (505) 766-2386.

NEW YORK, New York - Fed. Bldg.,
26 Fed. Plaza, Foley Sq., 10278.
Tel: (212) 264-0634.

Buffalo - 1312 Fed. Bldg., 111 W.
Huron St., 14202.
Tel: (716) 846-4191.

Rochester - 121 East Ave.,
14604. Tel: (716) 263-6480.

NORTH CAROLINA, Greensboro -
324 W. Market St., P.O. Box 1950,
27402. Tel: (919) 333-5345.

NORTH DAKOTA, Served by
Omaha.

OHIO, Cincinnati - 9504 Fed. Bldg.,
550 Main St., 45202.
Tel: (513) 684-2944.

Cleveland - Rm. 668, 666 Euclid
Ave., 44114. Tel: (216) 522-4750.

OKLAHOMA, Oklahoma City - Ste.
200, 6601 Broadway Ext., 73116.
Tel: (405) 231-5302.

Tulsa - 440 S. Houston St.,
74127. Tel: (918) 581-7650.

OREGON, Portland - Rm. 618, 1220
SW. 3rd Ave., 97204.
Tel: (503) 221-3001.

PENNSYLVANIA, Philadelphia - 9448
Fed. Bldg., 600 Arch St., 19106. Tel:
(215) 597-2850.

Pittsburgh - 2002 Fed. Bldg., 1000
Liberty Ave., 15222.
Tel: (412) 644-2850.

PUERTO RICO, San Juan (Hato
Rey) - Rm. 659-Fed. Bldg., 00918.

Tel: (809) 753-4555.

RHODE ISLAND, Providence -
7 Jackson Walkway, 02903.
Tel: (401) 528-5104.

SOUTH CAROLINA, Columbia - Fed.
Bldg., Ste. 172, 1835 Assembly St.
29201. Tel: (803) 765-5345.

Charleston - 17 Lockwood Dr.,
29401. Tel: (803) 724-4361.

SOUTH DAKOTA, Served by
Omaha.

TENNESSEE, Nashville - Ste.
1114, Parkway Towers, 404 James
Robertson Pkwy. 38103-1505.
Tel: (615) 736-5161.

Memphis - 22 N. Front St.,
Ste. 200, 38103.
Tel: (901) 521-4137.

TEXAS, Dallas - Rm. 7A5, 1100
Commerce St., 75242.
Tel: (214) 767-0542.

Austin - Rm. 304, 410 E. 5th St.,
78711. Tel: (512) 472-5059.

Houston - 2625 Fed. Courthouse,
515 Rusk St., 77002.
Tel: (713) 229-2578.

UTAH, Salt Lake City - Rm. 340, U.S.
Courthouse, 350 S. Main St., 84101.
Tel: (801) 524-5116.

VERMONT, Served by Boston.

VIRGINIA, Richmond - 8010 Fed.
Bldg., 400 N. 8th St., 23240.
Tel: (804) 771-2246.

WASHINGTON, Seattle - Ste. 290,
3131 Elliott Ave., 98121.
Tel: (206) 442-5616.

Spokane - Rm. 623, W. 808
Spokane Falls Blvd., 9920.
Tel: (509) 4564557.

WEST VIRGINIA, Charleston - 3402
New Fed. Bldg., 500 Quarrier St.,
25301. Tel: (304) 347-5123.

WISCONSIN, Milwaukee - Fed. Bldg.
U.S. Courthouse, 517 E. Wisconsin
Ave., 53202. Tel: (414) 291-3473.

WYOMING, Served by Denver.

FACT SHEET NO. 42

U.S. Small Business Administration

International Trade Assistance

The United States Small Business Administration offers aid to current and potential small or minority exporters through two major programs, financial assistance and business development assistance, in accordance with the provisions of Public Law 96-481.

Persons interested in obtaining more information on these programs should contact the nearest SBA office.

To be eligible for these programs, firms must meet SBA size standards for that industry in which it is principally engaged.

Financial Assistance

Financial assistance programs are administered by the financing staff of each SBA District and Branch Office.

To be eligible for an SBA loan, the applicant must first attempt to secure private bank financing, invest a reasonable amount of his or her capital in the business, and demonstrate that the loan can be repaid from the future earnings of the business. For eligible borrowers, SBA will guarantee up to 90 percent of a private lending institution's loan.*

The specific type of loan program to be used depends primarily upon the purposes for which the funds will be used and the maturity necessary to insure repayment. A borrower may use several different types of loan guarantees simultaneously, as long as the total SBA guaranteed portion does not exceed the Agency's $500,000 statutory loan guarantee limit.

Regular Business Loan Program

Exporters may obtain funds for fixed asset acquisition necessary for business start-up or expansion and for other general working capital purposes through SBA's regular 7(a) business loan guarantee program. Loan guarantees for fixed asset acquisition have a maximum maturity of 25 years. Guarantees for general purpose, term, working capital loans are usually limited to a maximum maturity of 7 years. Export Trading Companies (ETC's) can also qualify for SBA's business loan guaranty program, provided that they are small, for-profit ETC's and have no bank equity participation.

Small Business Investment Company (SBIC) Financing

If an exporting company requires additional equity capital or amounts of term working capital in excess of SBA's $500,000 statutory maximum, a Small Business Investment Company, approved and licensed by the SBA, may be able to provide the necessary funding, depending upon whether or not the SBIC's investment strategy includes such activities. (Unlike SBA, SBICs may invest in Export Trading Companies in which banks have equity participation provided that other SBIC requirements are met.)

Export Revolving Line of Credit Program

To help more small businesses export their products and services abroad, SBA has established the Export Revolving Line of Credit Loan program (ERLC). Any number of withdrawals and repayments can be made as long as the dollar limit of the credit line is not exceeded and the disbursements are made within the stated maturity period.

Use of Proceeds: Proceeds can be used only for finance labor and materials needed for manufacturing or wholesaling for export, and to penetrate or develop foreign markets. Professional export marketing advice or services, foreign business travel, or participating in trade shows are examples of eligible expenses to develop foreign markets. Funds may not be used to pay existing obligations or to purchase fixed assets. Other SBA programs may be used for these needs.

Amount of Loan: Through this program, SBA can guarantee up to 90 percent of a bank line of credit to a small business exporter.* An applicant may have other SBA loans in addition to an ERLC, as long as the total outstanding balance of all such loans does not exceed $500,000 for SBA's share.

Eligibility: Applicants must qualify as "small" under SBA's size standards and meet the other eligibility criteria applicable to all SBA loans. In addition, an applicant must have been in business (not necessarily in exporting) for at least 12 full months prior to filing an application. This 12-month requirement for Export Revolving Line of Credit Loans may be waived by the SBA regional office if the management of the applicant has sufficient export trade experience or other management ability to warrant an exception to the general rule.

Maturity: The maturity of an ERLC is based on an applicant's business cycle but cannot exceed 18 months, including all extensions. No provision exists for renewals, but borrowers can reapply for a new line upon expiration of an existing line of credit. A new line may not be used to pay off an existing line of credit.

Interest Rates: The rate of interest that may be charged by the lender will be the same as for other SBA guaranty loans. Interest normally may extend up to 2-1/4 percent over prime rate.

Note: On loan amounts over $155,000, the maximum guarantee is 85 percent.

Fees: Guaranty fees must be paid to SBA as follows:

(a) For maturities of 12 months or less, the fee is 1/4 of 1 percent of the guarantee portion of the loan.

(b) For maturities exceeding 12 months, the fee is 2 percent of the guaranteed portion of the loan.

but may be charged to the borrower upon approval of the ERLC by SBA. The lender may also charge the borrower a commitment fee equal to 1/4 of 1 percent of the loan amount, or a $200 minimum. This fee cannot be charged until SBA approves the ERLC. The normal fees permitted on all SBA loans may also be assessed on ERLC loans.

Collateral: Such collateral as prudent lending practices dictate will be required, including appropriate personal guaranties. Collateral may include accounts receivable, inventories, assignment of contract proceeds and bank letters of credit. Only collateral that is located in the United States, its territories and possessions, or other assets under the jurisdiction of U.S. Courts will be acceptable.

Special Program Requirements: A cash-flow projection depicting monthly activity and cash balances is a vital tool in determining cash needs and for monitoring borrower progress after disbursement. This cash-flow projection must be submitted with the application covering anticipated activity during the term of the ERLC. Monthly progress reports are to be submitted by the borrower to the lender. Discrepancies between the projected cash-flow and the progress report will provide an early warning of problems to the lender so that appropriate preventative servicing actions can be taken.

Eximbank-SBA Joint Guaranty Program

SBA and the Export-Import Bank of the U.S. (Eximbank) signed, on August 30, 1984, a Memorandum of understanding that provides for a program of co-guarantees to small business exporters and export trading companies. The co-guarantees shall extend to loans in principal amounts ranging from $200,000 to $1,000,000 on a per borrower basis and shall cover 85 percent of the loan amount. The terms and conditions of co-guarantees, except where otherwise provided, will be determined by SBA rules and regulations for ERLC loans.

Proceeds can be used only to finance labor and materials need for manufacturing or wholesaling for export, and to penetrate or develop foreign markets. Professional export marketing advice or services, foreign business travel, or participating in trade shows are examples of eligible expenses to develop foreign markets. Funds may not be used to pay existing obligations or to purchase fixed assets. Other SBA programs may be used for these needs.

Application Process: ERLC and Eximbank-SBA loans are available only under SBA's guaranty plan. A prospective applicant should review the export financing needs of the business with their bank of account. If the bank is unable or unwilling to make the loan directly, the possibilities of a guaranty from the SBA should be explored. The participation of a private lender is necessary to obtain an ERLC, Eximbank-SBA co-guarantee or regular 7(a) SBA-guaranteed business loan.

For loans under $200,000 that are for revolving credit lines and for loans above $200,000 (up to $500,000) that are not revolving credit lines, financing is available only through SBA. Eximbank does not participate in these loans.

Business Development Assistance

Business Development programs are administered by the Business Development Office staff of each SBA District and Branch Office.

An individual program of business development assistance can be designed to meet the specific needs of the small business owner who is entering export markets for the first time, or has had previous experience in international trade and is considering expanding into additional markets. The program can include: (1) one-on-one counseling by SCORE or ACE volunteers with international trade experience, (2) counseling through collegiate Small Business Institute or Small Business Development Center programs, (3) assistance from professional international trade management consulting firms, (4) referral to other public or private sector organizations offering more in-depth international trade programs and services, (5) initial consultation with an international trade attorney, (6) international trade and export marketing publications, and (7) business management training.

Export training programs are cosponsored by SBA District Offices with the Department of Commerce (DOC) and others interested in international trade. Emphasis is placed on the practical application of successful exporting procedures to small business.

The SBA publishes some brochures on international trade, including, "Market Overseas with U.S. Government Help" (MA 7.003), which describes international trade services available from the Federal Government, and "Is Exporting for You?," which focuses on ten points to help small business firms decide to make the commitment to export. Other SBA publications are available.

Export Information System (XIS) Data Reports

Available for over 2700 Standard International Trade Classifications (SITC) product categories, the XIS Data Reports provide a list of the 25 largest importing markets for the small business owner's product, the 10 best markets for U.S. exporters of that product, the trends within those markets and the major sources of foreign competition. Data Reports also identify the major products being imported by selected countries. (Data Reports are based on United Nations data.) This information will help a business to decide whether or not to export and, if so, which markets to research further, using DOC market information as well as other more specific marketing services.

EXPORT REVOLVING LINE OF CREDIT LOAN PROGRAM

SPECIAL PROGRAM REQUIREMENTS

A cash flow projection depicting monthly activity and cash balances is a vital tool for determining cash needs and for monitoring borrower progress after disbursement. This cash flow projection must be submitted with the application covering anticipated activity during the term of the ERLC. Monthly progress reports are to be submitted by the borrower to the lender. Discrepancies between the projected cash flow and the progress report will provide an early warning of problems to the lender so that appropriate preventative servicing actions can be taken.

HOW TO APPLY

ERLC loans are available only under SBA's guaranty program. A prospective applicant should review the export financing needs of the business with his/her bank of account. If the bank is unable or unwilling to make the loan directly, the possibilities of a participation with SBA should be explored.

ADDITIONAL INFORMATION

Detailed information can be obtained from the nearest SBA office in your area.

Issued by:
Office of Public Communications

FACT SHEET NO. 51

U.S. Small Business Administration

EXPORT REVOLVING LINE OF CREDIT LOAN PROGRAM

THE PROGRAM

To assist small businesses in exporting their products and services abroad, SBA has established the Export Revolving Line of Credit Loan Program (ERLC). Any number of withdrawals and repayments can be made as long as the dollar limit of the line is not exceeded and the disbursements are made within the stated maturity period.

ELIGIBILITY

Applicants must qualify as "small" under the SBA size standards and meet the other eligibility criteria applicable to all SBA loans. In addition, the applicant must have been in business for at least 12 months prior to filing an application. The business must be current on all payroll taxes and have in operation a depository plan for the payment of future withholding taxes.

USE OF PROCEEDS

Proceeds can be used only for the following:

(a) To finance labor and materials needed for manufacturing or purchasing goods or services for export;

or

(b) To develop foreign markets.

If the primary purpose is to develop or penetrate foreign markets, a regular 7(a) loan probably may be more appropriate.

Funds may not be used to pay existing obligations or to purchase fixed assets; other SBA programs can be used for these needs.

AMOUNT OF LOAN

Through this program, SBA can guarantee up to $500,000 or 85 percent of the loan, whichever is less. The maximum guaranty for loans up to $155,000 is 90 percent. An applicant may have other SBA loans in addition to an ERLC as long as the total outstanding balance of all such loans does not exceed $500,000 (SBA's share). With the co-guaranty of the Export-Import Bank, the loan amount can be increased to $1,000,000.

MATURITY

The maturity of an ERLC is based on applicant's business cycle, but cannot, together with all extensions, exceed 18 months. No provision exists for renewals, but borrowers can reapply for a new line upon expiration of an existing line of credit.

INTEREST RATES

Interest rates are determined by negotiation between the applicant and the participating lender, but they are subject to maximums specified by SBA, the same as for other SBA guaranty loans.

FEES

Guaranty fees must be paid to SBA as follows:

(a) For maturities of 12 months or less, the fee is one-fourth of one percent of the guaranteed portion of the loan.

(b) For maturities exceeding 12 months, the fee is two percent of the guaranteed portion of the loan.

Guaranty fees must be paid by the lender but may be charged to the borrower upon approval of the ERLC by SBA.

The lender may charge the borrower a commitment fee equal to one-fourth of one percent of the loan amount or $200 minimum. This fee cannot be charged until SBA approves the ERLC. In addition, the normal fees permitted on all SBA loans may also be assessed on ERLC loans.

COLLATERAL

Such collateral as prudent lending practices dictate will be required, including appropriate personal guaranties. Collateral may include accounts receivable, inventory, assignment of contract proceeds and bank letters of credit. Only collateral that is located in the United States, its territories and possessions, or other assets under the jurisdiction of U. S. Courts will be acceptable.

EXPORT REVOLVING LINE OF CREDIT LOAN PROGRAM

SPECIAL PROGRAM REQUIREMENTS

A cash flow projection depicting monthly activity and cash balances is a vital tool for determining cash needs and for monitoring borrower progress after disbursement. This cash flow projection must be submitted with the application covering anticipated activity during the term of the ERLC. Monthly progress reports are to be submitted by the borrower to the lender. Discrepancies between the projected cash flow and the progress report will provide an early warning of problems to the lender so that appropriate preventative servicing actions can be taken.

HOW TO APPLY

ERLC loans are available only under SBA's guaranty program. A prospective applicant should review the export-financing needs of the business with his/her bank of account. If the bank is unable or unwilling to make the loan directly, the possibilities of a participation with SBA should be explored.

ADDITIONAL INFORMATION

Detailed information can be obtained from the nearest SBA office in your area.

Issued by:
Office of Public Communications

UNITED STATES DEPARTMENT OF COMMERCE
Economic Development Administration
Washington, D.C. 20230

April 12, 1989

Mr. Graydon Forrer
Assistant Counsel
House Small Business Subcommittee
Room B-363
Rayburn House Office Building
Washington, DC 20515

Dear Mr. Forrer:

We have enclosed a small sampling of the numerous letters the Economic Development Administration (EDA) has received over the last six months regarding the Wayne Phillips book "How To Start Your Own Business By Doing Business With the Government."

In addition to the written correspondence, EDA has received thousands of phone requests for information about our funding programs. We have spent an enormous amount of time and money (installing an answering machine, printing, xeroxing, etc.) in trying to fulfill all the requests.

Also enclosed are copies of the packet of information we have been sending out in response to the inquiries.

If this Agency can be of further assistance, please feel free to contact me personally. I can be reached at 377-3081.

Sincerely,

James L. Perry
Deputy Assistant Secretary
for Grant Programs

Enclosures

March 23, 1989

EDA, U.S. Department of Commerce
14th & Constitution Av.
Washington, DC 20230

Subject: Technical Assistance Services Grant

Dear Director:

Enclosed please find my Grant Application for processing. If your agency has any more paper work for me to fill out, please send all the necessary forms to apply to your agency for a Grant.

Please regard this letter and information as a formal request for a Grant Application Kit. Any consideration in this area would be much appreciated.

Thanking you in advance for considering my letter of request.

Hoping to hear from you soon.

Sincerely,

Lawrence R. Justice
5439 Catherine St.
Philadelphia, PA 19143

Grant Application

PLEASE PRINT LEGIBLY WITH DARK INK

Amount Requested: $25,000.00 ☑ Minimum 2 weeks | $50,000.00 ☐ Minimum 4 weeks | $75,000.00 ☐ Minimum 6 weeks

(OPTIONAL) MR. MRS. OR MS. MR. & MRS FIRST Lawrence	MI. R.	LAST Justice	
ADDRESS 5439 Catherine st			Social Security No. 192-60-6013
CITY Phila,	STATE Pa		ZIP CODE 19143
PHONE (215) 471-7418		Date of Birth 8/16/63	
Own Rent ✓ Live With Parents ☐ Other ☐	Married ☐ Single ☑	Education High School ☑	College ☑ Graduate
PRESENT EMPLOYER Spring School of the Arts			POSITION Asst. Teacher
BUSINESS PHONE (215) 222-0788	YEARLY INCOME $ 5,989		YRS. 5 MOS. 3

SPOUSE INFORMATION

SPOUSES' FIRST NAME none	MI.	LAST	Social Security No.
ADDRESS -		APT. NO.	
CITY	STATE	ZIP CODE	NO. YRS.
PRESENT EMPLOYER			POSITION
BUSINESS PHONE	YEARLY INCOME $		YRS. MOS

Why do you need a Cash Grant?

To start my own money brokerage business.

Signature Lawrence R. Justice

Make your Check or Money Order payable to:

ADVANCED SYSTEMS
3400 W 111TH ST SUITE 333
CHICAGO IL 60655
(312) 233-0707

VALLEY UNIFORMS
3302 Boca Chica Blvd. Suite 208
Brownsville, Texas 78521
(512) 542-6554

POLO MERCADO
President/General Manager

April 4, 1989

EDA
U.S. Department of commerce
14th and constitution Ave
Washington, DC 20230

Gentlemen:

From the recommendation that Wayne Phillips describes in the book "HOW TO START YOUR OWN BUSINESS BY DOING BUSINESS WITH THE GOVERNMENT", I was recommended to write to this office for a Grant applicaton to solve problems and remove roadblocks standing in the way of economic growth.

Valley Uniforms is an industrial supply company specializing in furnishing uniforms to schools, city departments, industrial companies, police departments, EMS, Doctors, and other industrial and business like companies.

We would like to be considered for any Business Assistance and Incentive Programs.

Please feel forward to ask me any further questions at or need assistance to the address above

Sincerely,

Hipolito Mercado
General Manager/Owner

Gentlemen:

I had a severe stroke in December 1986 at age 50. Presently, I am receiving Social Security Disability payments. Though my left arm is paralyzed and I have difficulty speaking, my mind is normal. I have an idea for self-employment that I am unable to undertake financially.

If you would consider funding me, I could hire a human services professional on a part-time basis who could write a research paper on the problems I may encounter as I set about to run my own business with a disability.

Please seriously consider my request. I was a sales professional for many years, earning up to $50,000 annually and am now struggling and bored to tears. I know I can succeed and help others also.

I would be pleased to provide you with details if you will consider funding me. At present, I feel I need approximately $75,000 for starting up this business and paying a human services professional.

I look forward to hearing from you.

Sincerely,

Gary G Gorson

Gary G. Gorson
1002 Wakefield Road
Greensboro, N.C. 27410
Home (919) 292-7003

March 4, 1989

EDA, U.S. Department of Commerce
14th & Constitution Av.
Washington, DC 20230

Subject: TECHNICAL ASSISTANCE SERVICES GRANT

Dear Director:

Enclosed please find my Grant Application for processing. If your agency has any more paper work for me to fill out, please send all necessary forms to apply to your agency for a Grant.

Please regard this letter and information as a formal request for a Grant Application Kit. Any consideration in this area would be much appreciated.

Thanking you in advance for considering my letter of request.

Hoping to hear from you soon.

Sincerely,

David B. Bove
25 S. Cedar Brook Rd., POB 136
Cedar Brook, NJ 08018-0136

Grant Application

PLEASE PRINT LEGIBLY WITH DARK INK

Amount Requested: $25,000.00 ☐ Minimum 2 weeks | $50,000.00 ☐ Minimum 4 weeks | $75,000.00 ☒ Minimum 6 weeks

* MAXIMUM ALWAED ☒

(OPTIONAL) [✓ MR.] MRS. OR MS. MR. & MRS. FIRST: David MI.: B LAST: BOVE

ADDRESS: 25 S CedarBrook ROAD, PO BOX 136 Social Security No.: 156-62-9632

CITY: CedarBrook STATE: NEW JERSEY ZIP CODE: 08018-0136

PHONE: (609) 567-9722 (215) 546-8700 Date of Birth: 7/30/64

Own ☒ Rent ☐ Live With Parents ☐ Other ☐ | Married ☒ Single ☐ | Education High School ☒ College ☐ TECH. School Graduate ☒

PRESENT EMPLOYER: QUOTRON SYSTEMS INC POSITION: North East Regional Computer Center Supervisor

BUSINESS PHONE: (215) 546-8700 ext. 243 YEARLY INCOME: $36,500 YRS.: 4 MOS.: 9

SPOUSE INFORMATION

SPOUSES' FIRST NAME: KimBERLY MI.: M LAST: BOVE Social Security No.: 143-66-3289

ADDRESS: 25 S. Cedarbrook rd P.O. Box 136 APT. NO.

CITY: CedarBrook STATE: New Jersey ZIP CODE: 08018-0136 NO. YRS: 3

PRESENT EMPLOYER: HOUSE WIFE POSITION: —

BUSINESS PHONE: — YEARLY INCOME: $ — YRS. MOS. —

Why do you need a Cash Grant?

To Complete financing for a Bowling Alley recreation Center

Signature: D B Bove

30 MARCH 1989
THURSDAY

TO: DEPT. OF COMMERCE
FM: O. D. FUSELIER JR.
SUBJECT: U.S. GOV. GRANT APPLICATION KIT

DEAR SIRS:

WOULD LIKE YOU TO SEND U.S. GOV. GRANT APPLICATION TO OBTAIN A GRANT FROM YOUR DEPARTMENT. AND ANY INFORMATION ON THE H.R. 5050 PROGRAM ON OBTAINING THE $50,000.00 PROPOSED BY CONGRESS TO START YOUR OWN BUSINESS.

RESPECTFULLY YOURS,
O. D. Fuselier Jr.

PLEASE RUSH TO:

N Arnoult

O. D. FUSELIER JR.
3340 N. ARNOULT ROAD. APT. 75
METAIRIE, LA. 70002

Jerry Burnett
Route 1 Box 310
Beech Grove, Ark.
72412

Jan.26, 1989

EDA U.S. Department of Commerce
14th & Constitution Avenue
NW.Washington D.C. 20230

To Whom It May Concern:

I need you to send me any information or applications that you have pertaining to government grants. [redacted]

I thank you for your time and trouble, and I will greatly appreciate any information you can send me. Mostly what I need is about grants that have been granted in the past year.

Very truly yours

Jerry Burnett

Jerry Burnett

Perfect Printing
708 SIXTH STREET
PROSSER, WASHINGTON 99350
Telephone 786-3811
Toll Free In Washington 1-800-572-9660

February 21, 1989

Government Grants
c/o T.V. Merchandise
PO Box 526
Cresskill NJ 07626

Gentlemen:

The enclosed book "How To Start Your Own Business" is being returned for a refund as I find it completely useless.

We tried to utilize some of the information and the sources informed us the **information in the book was either incorrect or completely false.**

The book was charged to my credit card over 30 days before I received my copy. Then when I tried to return it we were given three different addresses to send it. Yours being the last.

Please refund our payment at once so that no further action becomes necessary. The amount due us is $49.95 + 4.00 shipping.

Thank You.

Eric Barnard

Eric Barnard

cc: U.S. Dept of Commerce
    Economic Development Administration
    Pas H 7824
    Washington DC 20230

3229 (home) — Not in service
206-786-3811 (bus.)

NEIGHBORHOOD
CENTERS

JSP
Send free
money and
package

March 3, 1989

Deputy Assistant Secretary for Operations
Ecomonic Administation
Department of Commerce
Washington, DC 20230

Dear Staff,

Neighborhood Centers, Inc., a nonprofit United Way Agency, is proposing the demolition of a dilapedated overnight day time rental facility to build a Multi-Purpose Center. This bayfront facility was donated to Neighborhood Centers, Inc. in the mid 70's. The building was built prior to the 1920's as a private residence. Time and client usage has taken it's toll on the building. La Porte Neighborhood Center program operations are located in space leased from the city. In addition to expanding the current facility usage, we will include program office space, meeting, training and activity space.

We have submitted a proposal to Harris County Community Development for partial funding. We will be responsible for a 30% match. Additional ~~technical and financial~~ assistance is needed. **Your agency is listed in Lesko's "Getting Yours" as a source for possible funding under grant # 11.300.**

With twelve years in the social service field this is by far my most challenging responsiblity and undertaking. Please provide any information, FRP's, etc. that may be helpful to this project.

Thank you in advance for your assistance.

Sincerely,

Sue Skinner

Sue Skinner, Manager

EDA U.S. Department of Commerce
14th and Constitution Ave. NW
Washington, DC. 20230

✓

Dear Sir/Madam

I am writing in regards to establish my business in
a more proper establishment.
I have found in Wayne Phillips how to start your own business.
Your address for Public Works Impact Progam.
With grants averageing $500,000..
I would like to recive a grant application kit.
After reciving this kit i would to call you providing
this number is right (202)-377-5113.

Submit application to;

Jake's Small Engine Repair
109½ Chestnut St.
Munising, MI 49862
Phone 906-387-2657.

THANK YOU.

December 20, 1988

To Whom It May Concern:

I am writing in hopes that someone in your office can help me find more information on obtaining government grants.

My husband and I were watching football games [illegible] minute program came on. The program featured the author of a book "How To Start Your Own Business", Wayne Phillips (government grants specialist). Mr. Phillips went on to say his book contained information on how to obtain goverment grants and all the information one needs to know to start a [illegible].

I am asking for your help in trying to find the federal agency (telephone number or address) responsible for issuing grants so that I can start up my own business. Being financially independent and putting people to work in this economically depressed area is my goal. With unemployment so high we need something to help matters.

If you have any information available or know where I can obtain this information, please forward to me, as I am very anxious to find out more about such grants.

Thanking you,

Linda Bellard

Linda Bellard
P.O. Box 295
Church Point, La. 70525
(318) 684-6198 home
(318) 334-9367 work

UNITED STATES DEPARTMENT OF COMMERCE
Economic Development Administration
Washington, D.C. 20230

IF YOU ARE LOOKING TO START-UP OR EXPAND AN EXISTING SMALL BUSINESS:

This information is provided in response to your inquiry requesting information on the Economic Development Administration's (EDA) grant programs.

Unfortunately, there seems to be a great deal of misinformation circulating at this time regarding EDA's programs. Several books and at least one pre-recorded advertisement for a book give the impression that EDA has a program providing grants to small businesses.

Eligibility requirements for the various grant programs available through EDA are listed annually in the Federal Register. Enclosed is a copy of a brochure which outlines these programs. In almost every case, the eligible applicants are states (or political subdivisions, such as a city or county), territories, public or private nonprofit organizations, or colleges and universities. EDA does not give grants to individuals for the start-up or expansion of private businesses.

The only EDA program of specific interest to small businesses is a loan program administered by government entities or development organizations at the local level - not by EDA. However, it is not available in all areas of the country.

To determine if your area has a locally administered loan program, you can contact the EDA Regional Office for your state listed in the back of the program brochure to locate the name of the Economic Development Representative (EDR) who works with your community. The EDR will refer you to this loan program, if there is one in your area.

If your community does not have a locally administered loan program, you might contact your local university or college to see if they have a Small Business Development Center or Business Assistance Program, or you should contact the local office of the Small Business Administration.

Sincerely,

James L. Perry
Deputy Assistant Secretary
for Grant Programs

Enclosure

75 Years Stimulating America's Progress ★ 1913-1988

ECONOMIC DEVELOPMENT ADMINISTRATION (EDA) OFFICES 11/88

1. **Economic Development Administration**
U.S. Department of Commerce
Room H7824
Washington, D.C. 20230 (202) 377-5113

2. **Philadelphia Regional Office**
Liberty Square Building--First Floor
105 S. 7th Street
Philadelphia, Pennsylvania 19106 (215) 597-4603

Serves Connecticut, Delaware, District of Columbia, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Puerto Rico, Rhode Island, Vermont, Virginia, Virgin Islands, West Virginia

3. **Atlanta Regional Office**
Suite 750
1365 Peachtree Street, NE
Atlanta, Georgia 30309 (404) 347-7401

Serves Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, Tennessee

4. **Chicago Regional Office**
Suite A-1630
175 West Jackson Boulevard
Chicago, Illinois 60604 (312) 353-7706

Serves Illinois, Indiana, Michigan, Minnesota, Ohio, Wisconsin

5. **Austin Regional Office**
Suite 201, Grant Building
611 East Sixth Street
Austin, Texas 78701 (512) 482-5461

Serves Arkansas, Louisiana, New Mexico, Oklahoma, Texas

6. **Denver Regional Office**
Room 670
1244 Speer Boulevard
Denver, Colorado 80204 (303) 844-4714

Serves Colorado, Iowa, Kansas, Missouri, Montana, Nebraska, North Dakota, South Dakota, Utah, Wyoming

7. **Seattle Regional Office**
Suite 1856, Jackson Federal Building
915 Second Avenue
Seattle, Washington 98174 (206) 442-0596

Serves Alaska, American Samoa, Arizona, California, the Commonwealth of the Northern Mariana Islands, Guam, Hawaii, Idaho, Nevada, Oregon, Washington, the Federated States of Micronesia, the Republic of the Marshall Islands

PROGRAMS

OF THE

ECONOMIC DEVELOPMENT ADMINISTRATION

Under the Public Works and Economic Development Act of 1965,
as amended (P.L. 89-136)

- Public Works
- Revolving Loan Funds
- Economic Adjustment
- Planning
- Technical Assistance
- University Centers
- Research & Evaluation
- Business Loan Guarantees

U.S. DEPARTMENT OF COMMERCE
Economic Development Administration

75 Years Stimulating America's Progress • 1913-1988

ECONOMIC DEVELOPMENT ADMINISTRATION (EDA) 11/88
PUBLIC WORKS AND DEVELOPMENT FACILITIES PROGRAM

PROGRAM GOALS

Grants are provided to help distressed communities attract new industry, encourage business expansion, diversify their economies, and generate long-term, private sector jobs.

PROJECT TYPES/ELIGIBLE APPLICANTS

Among the types of projects funded are water and sewer facilities primarily serving industry and commerce; access roads to industrial sites or parks; port improvements; and business incubator buildings. Proposed projects must be located within an EDA-designated redevelopment area (RA) or economic development center (EDC). Projects in other areas of an EDA-designated Economic Development District are also eligible if they will directly benefit an RA within the District. Projects must be consistent with an approved overall economic development program. An applicant may be a State, political subdivision of a State, Indian tribe, special-purpose unit of government, or public or private nonprofit organization or association representing an RA or EDC.

SELECTION CRITERIA

Priority consideration generally will be given to projects that:

- improve opportunities for the successful establishment or expansion of industrial or commercial plants or facilities;
- assist in creating or retaining private sector jobs in the near term, as well as additional long-term employment, if the jobs are not transferred from other areas and will result in a low cost per job in relation to EDA cost;
- benefit the long-term unemployed and members of low-income families residing in the area served by the project;
- fulfill both an economic and a physical need of the project area and can be started and completed in a timely manner;
- demonstrate maximum practicable local funding support, with evidence that such support is firmly committed and available.

FUNDING LEVELS

FY 87: $122,000,000
FY 88: $126,000,000
FY 89: $126,460,000

Average 1988 grant: $604,000
Range of 1988 grants: $75,000 to $1,606,000

APPLICATION PROCESS

Eligible applicants should contact the Economic Development Representative (EDR) for the area. The EDA Regional Office can identify the EDR to contact who will describe the program and provide guidance on preparing a preapplication. EDA screens proposals before deciding whether to invite formal applications. Average time from submission of an application to a final funding decision was six and one-half months in FY 88. Complete program information appears annually in the *Federal Register*.

SBIR PROGRAM RESPONSE

ROUTING AND TRANSMITTAL SLIP

Date 4/21

TO: (Name, office symbol, room number, building, Agency/Post)	Initials	Date
1. Mr. Grady Farren		
2.		
3.		
4.		
5.		

☐	Action	☐	File	☐	Note and Return
☐	Approval	☐	For Clearance	☐	Per Conversation
☐	As Requested	☐	For Correction	☐	Prepare Reply
☐	Circulate	☐	For Your Information	☐	See Me
☐	Comment	☐	Investigate	☐	Signature
☐	Coordination	☐	Justify	☐	

REMARKS

Per our phone conversation on 4/20, enclosed is the requested material.

DO NOT use this form as a RECORD of approvals, concurrences, disposals, clearances, and similar actions

FROM: (Name, org. symbol, Agency/Post)	Room No.—Bldg.
Richard Shane SBA	Phone No.

5041-102

★U.S.GPO:1986-0-491-247/20047

OPTIONAL FORM 41 (Rev. 7-76)
Prescribed by GSA
FPMR (41 CFR) 101-11.206

FEB 10 1989

Dr. Laurie L. Foudin
SBIR Coordinator
Division of Basic Research
National Institute on Alcohol Abuse
and Alcoholism
Dept. of Health & Human Services
Rockville, MD 20857

Dear Dr. Foudin:

This will serve to acknowledge receipt of your letter of February 6, 1989 wherein you express the desire to forward Dept. of Health and Human Services' public correspondence to the Small Business Administration for reply. We are familiar with the Federal Government problem concerning the misleading TV Program and the book which is being sold to the public. Your address along with hundreds of others is listed as a grant source.

In the meantime, since all of us are having to respond -- with limited staff -- to an increased amount of telephone and written inquiries as a result of this media promotion by individuals, there is nothing to be gained by transferring the problem from agency to agency. Therefore, we are returning the mail you forwarded to SBA for disposition by your department.

For your assistance, we are enclosing a copy of a statement we prepared to respond to such inquiries which you may wish to paraphrase for your department's use. We are also enclosing a copy of a recent press release that our Agency has released concerning the media presentation of "Money, Money, Money."

Sincerely,

E. A. Snare
Director, Research
Acquisition Policy Division
Office of Innovation, Research
and Technology

Enclosures

OIR&T:CDondero:2-10-89:Zenobian:TV-SHOW
cc: OIR&T Files
Dondero

DEPARTMENT OF HEAL .I & HUMAN SERVICES

Public Health Service

Alcohol, Drug Abuse and
Mental Health Administration
Rockville MD 20857

Room 14C-20

February 6, 1989

Office of Innovation, Research, and
Technology
U.S. Small Business Administration
1441 L. Street, N.W.
Washington, DC 20416

Dear Sir/Madam:

Recently our office has been receiving a large number of inquiries about the Small Business Innovation Research (SBIR) program because of erroneous information which appeared in several non-government publications concerning "government give-aways," and which information also was given on a syndicated television program. The majority of these inquiries, which are addressed to "Small Business Innovation Research Program" c/o Parklawn Building in Rockville, Maryland, are from individuals or small businesses who want information about grants or loans for start-up, expansion, and capital improvement. They are neither interested in, nor qualified for the SBIR program of the Public Health Service. Since we do not have the staff or expertise to handle such inquiries, I have requested our mail service to forward these letters to your office. I trust that they will be forwarded by you to the appropriate offices within the Small Business Administration.

If you have any questions, I can be reached on 301-443-4223.

Sincerely yours,

Laurie L. Foudin

Laurie L. Foudin, Ph.D.
SBIR Coordinator
Division of Basic Research
National Institute on Alcohol Abuse
and Alcoholism

cc: Ms. Stephenson, CSB, ASC

U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

While the U. S. Small Business Administration does not provide grants such as described in your correspondence, it does coordinate and monitor the Federal Government-wide activities of the Small Business Innovation Research (SBIR) Program which is explained in detail in the enclosed brochure.

SBIR is a competitive award system which provides opportunities for scientifically sophisticated high technology small business concerns to obtain a greater share of Federal research and development funding agreements. The only way a small business concern can receive funding under the SBIR Program is to successfully compete for an SBIR award.

Enclosure

SBA News

U.S. Small Business Administration
Washington, DC 20416

SBA Number: 88-57

Release Date: Friday, December 9, 1988

CONSUMERS BEWARE: AUTHOR'S CLAIMS NOT WHAT THEY APPEAR

Washington, D.C., Dec. 9 --- The age-old warning, "let the buyer beware" seems to apply to a situation springing up around the country in recent weeks. The confusion stems from a television show called MONEY, MONEY, MONEY.

To the viewing public this 30 minute show appears to be a routine talk show, but it is actually a paid advertisement for a publication written by Wayne Phillips of Scottsdale, Arizona, called HOW TO START YOUR OWN BUSINESS BY DOING BUSINESS WITH THE GOVERNMENT. The show is inaccurate in some respects, at least as to any programs under SBA, and it is confusing and misleading for people not familar with government programs.

Mr. Phillips erroneously states that under two different Executive Orders, 11625 signed by President Nixon in 1971, and 12138 signed by President Carter in 1979, there is money specifically set-aside for women and minorities. These Executive Orders do direct federal agencies to make available all of the resources of the agency, on a fair and

-more-equitable basis, to women and minority business owners but do not provide for a special financial set-aside program.

The U.S. Small Business Administration (SBA) has received hundreds of calls in offices all over the country. While SBA does provide assistance to people who own small businesses and those who are considering opening a business, the type of grant or award money mentioned on the show does not exist at SBA.

SBA provides financial assistance primarily through it's Guarantee Loan program. In this situation, SBA becomes a guarantor on a loan made by a commerical lending institution. Management and technical assistance is also available free of charge in most instances. The Agency can provide assistance to small businesses who want to do business with the federal government.

# # # # # # #

FEB 21 1989

Mr. Robert Elliott Blum
1960 South Robertson Boulevard
Apartment #8
Los Angeles, CA 90034-1145

Dear Mr. Blum:

In response to your letter of February 9, 1989, in which you requested under the provisions of the Freedom of Information Act "any and all data dealing with the Small Business Innovation Research Program, relative to grants and awards," we are enclosing copies of the following:

- Public Law 99-443
- Public Law 97-219
- December 1988 Issue of the SBIR Pre-Solicitation Announcement
- SBIR Proposal Preparation for SBIR
- SBIR Brochure
- FY 1987 Listing of SBIR Awardees

SBIR is a competitive award system which provides opportunities for scientifically sophisticated high technology small business concerns to obtain a greater share of Federal research and development funding agreements. The only way a small business concern can receive funding under the SBIR Program is to successfully compete for an SBIR award.

Sincerely,

Richard J. Shane
Assistant Administrator
Office of Innovation, Research
and Technology

Enclosures

cc: Ms. Lisa Babcock
Freedom of Information Staff

OIR&T:CDondero:2/21/89:Zenobian:FOIA(page 13)
cc: OIR&T Files

cd 2/21
Dondero Snare

U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

Date: February 15. 1989

To: Claire Dondero
SBIR Office

From: Beverly K. Linden
Acting Director, Freedom of Information/
Privacy Acts Appellate Office

Subject: Freedom of Information/Privacy Acts Referral

Because your office maintains the information being requested, the attached Freedom of Information/Privacy Acts request is being forwarded for your reply. As required by law, you must respond to the requester within ten (10) working days of receipt of this referral. Please note that if any information is withheld or denied for any reason, an exemption must be cited, and the requester must be notified of his/her right to appeal. In addition, a list must be complied for the requester, itemizing each document reviewed and citing your determinations on releasability and the appropriate exemption. Attached is a copy of the exemptions most frequently used by this Agency and the appeal paragraph.

Please refer to 13 CFR 102.6 when determining the cost of processing this request. In instances where a request has been received by more than one office, the FOI/PA Office should be notified so that we can coordinate the collection of fees. This office will then provide guidance on a case-by-case basis as to fee implementation and collection.

Please provide this office with a copy of your response. If you should have any questions, please feel free to contact Lisa Babcock on 8/653-6460.

Attachments

OIR&T
FEB 15 3 32 PM '89
U.S. SMALL BUSINESS
ADMINISTRATION

1960 South Robertson Boulevard
Apartment # 8
Los Angeles, California 90034-1145

RECEIVED
FEB 13 2 43 PM '89
OFFICE OF
HEARINGS AND APPEALS

February 9, 1989.

United States Small Business Administration
Director / Custodian Of Records, Office Of The F.O.I.A.,
Room 720A, 1441 L Street, N.W., Washington, D.C. 20416.

FREEDOM OF INFORMATION REQUEST
Re: Small Business Innovation
Research Program with
Respect To Grants And
Awards

Dear Sir / Madam:

Pursuant to the *Freedom of Information* Act (FOIA), and the regulations promulgated thereunder by your agency, I should like to receive any and all data dealing with the Small Business Innovation Research Program, relative to grants and awards. -- 5 U.S.C. § 552 et seq.-

I was advised by Mr. T. Fleetwood Mefford, Deputy Assistant Secretary For Domestic Operations, U.S. and Foreign Commercial Service of the U.S. Commerce Department that I should contact one of your regional offices for the desired information.

I am concerned with starting an export - import business. I cannot tell you the exact type of business thereunder, as yet, but, it will be one under the above title.

I am particularly interested at this time in your grants and awards program because I am currently receiving S.S.I Disability (Supplimential Income) Benefits from the Social Security Administration.

At present, there are existing public laws and Presidential Executive Orders in which your agency is an important moving party that gives priority to minorities, women, and the handicapped.

The above refers favorably to a prevalent public policy of the federal government to promote getting unemployed people back into the national economy by aiding them in - among other services - starting profitable export-import businesses such as the one that I now seek to establish.

I shall also be working with the U.S. Commerce Department, the U.S. Customs Service, and maybe the Office of Contracts and perhaps the U.S. General Accounting Office and other federal agencies that may have an interest in my endeavor to provide goods and services through a closed bidding system.

When I shall have received the desired and requested information about your agency's Small Business Innovation Research Program relative to grants and awards be given to minorities, women, and the handicapped, I should be glad to work with the State Department of Rehabilitation in order to assure myself of a greater opportunity to have the said department oversee my grant or award, relative to my import-export operation. This is because I am classified by the department as a handicapped person.

United States Small Business Administration
Director / Custodian Of Records, Office of the F.O.I.A.
Room 720A.
February 9, 1989.
Page Two.

However, I am not aware of any intergovernmental co-operation between the federal and state government relative to grants and awards that would help handicapped persons like myself to start his own business that would help other similarly placed, as well as myself.

There must be pamphlets, booklets, records and other materials costing less than or equal to your administrative ceiling of $25,

If your agency were to deny me this information, including any waiver of cost, please cite applicable agency regulations or any case law, under which I cannot obtain the desired information.

I look forward to hearing from you an acknowledgement of this letter within ten working days of its receipt and within not more than thirty days for receipt of the desired information.

Thank you in advance for your co-operation in this matter.

Your truly,
s/Robert Elliott Blum
ROBERT ELLIOTT BLUM

U. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

February 15, 1989

Mr. Robert Elliott Blum
1960 South Robertson Boulevard
Apartment #8
Los Angeles, California 90034-1145

Dear Mr. Blum:

This office is in receipt of your Freedom of Information Act request the Small Business Innovation Research Program (SBIR).

We have referred your request to the SBIR Office as that office maintains the information you seek. You will receive a response directly from that office.

Please feel free to contact Ms. Lisa Babcock of this office or me on (202)653-6460.

Sincerely,

Beverly K. Linden
Chief, Freedom of Information/
Privacy Acts Office

FOIA Exemptions

Exemption 2 (5 U.S.C. 552(b)(2)) permits agencies to withhold documents which relate solely to the internal personnel rules and practices of an agency.

Exemption 4 (5 U.S.C. 552(b)(4)) allows Federal agencies the discretion to withhold "...certain commercial or financial information obtained from a person and privileged or confidential..." the release of which could be competitively harmful to the submitter of the information or which could impair the government's ability to obtain similar necessary information in a purely voluntary manner in the future.

Exemption 5 (5 U.S.C. 552(b)(5)) allows the agency the discretion to withhold "...inter-agency or intra-agency memorandums or letters which would not be available by law to a party other than an agency in litigation with the agency." The purpose of this exemption is to facilitate sound governmental decision-making by encouraging a frank exchange of views.

Exemption 6 (5 U.S.C. 552(b)(6)) allows Federal agencies the discretion to withhold information the disclosure of which would "...be a clearly unwarranted invasion..." of individual privacy and might adversely affect the individual or his/her family.

Exemption 7 (5 U.S.C. 552(b)(7)) of the FOIA allows Federal agencies to protect from disclosure records or information compiled for law enforcement purposes, but only to the extent that the production of such law enforcement records or information (A) could reasonably be expected to interfere with enforcement proceedings, (B) would deprive a person of a right to a fair trial or an impartial adjudication, (C) could reasonably be expected to constitute an unwarranted invasion of personal privacy, (D) could reasonably be expected to disclose the identity of a confidential source, including a State, local, or foreign agency or authority or any private institution which furnished information on a confidential basis, and, in the case of a record or information compiled by a criminal law enforcement authority in the course of a criminal investigation, or by an agency conducting a lawful national security intelligence investigation, information furnished by a confidential source, (E) would disclose techniques and procedures for law enforcement investigations or prosecutions, or would disclose guidelines for law enforcement investigations or prosecutions if such disclosure could reasonably be expected to risk circumvention of the law, or (F) could reasonably be expected to endanger the life or physical safety of any individual.

Appeal Paragraph

Please be advised that, should you deem this reply unsatisfactory, you have a right to appeal the decision to the Freedom of Information and Privacy Acts Officer, Small Business Administration, 1441 L Street, N.W., Washington, DC 20416. The appeal should contain a description of the information requested, the name and place of employment of the SBA official or employee who denied the request, the reason for the denial, and such other pertinent facts as you deem appropriate.

JAN 19 1988

Ms. Loretta Playton
22 Mark Drive
Fenton, Missouri 63026

Dear Ms. Playton:

The White House has asked us to respond to your letter concerning the Small Business Innovation Research (SBIR) Program.

In 1982, the U. S. Small Business Administration was given responsibility and authority for coordinating and monitoring the government-wide activities of the SBIR Program by virtue of the enactment of the Small Business Innovation Development Act.

However, SBIR is not a funding program such as described in your letter. It is a system that provides small business concerns with opportunities to compete for awards that meet the research and development needs of the Federal Government.

We have enclosed a copy of the latest SBIR Pre-Solicitation Announcement which describes the program in detail and lists the Federal participating agencies. To acquaint you with the kinds of awards that have been made under the program, we have also enclosed a copy of the latest Listing of SBIR Awardees.

The various types of assistance which this agency provides to small business concerns are explained in the enclosed copy of Your Business and the SBA.

Our regional office in Missouri is located in Kansas City. The staff of that office would be pleased to discuss our programs with you in greater detail if you would contact them. They are located at 911 Walnut Street and the telephone number is (816) 426-3316.

Also, as a possible source of information, you may want to check out the kinds of Federal grants and other programs which might be of help to you in the 1988 Catalog of Federal Domestic Assistance. This is a publication of the U. S. General Services Administration, Washington, DC 20405 and the Office of Management and Budget. Copies are available for review at most public libraries.

9 1989

Also, you might wish to present your idea to the Missouri Department of Economic Development for possible funding. They are located in Room 770, Harry S. Truman Building, P. O. Box 113, Jefferson City, Missouri 65102.

We wish you success with your venture and should you have further questions with regard to our programs, please let us know.

Sincerely,

Richard J. Shane
Assistant Administrator
Office of Innovation, Research
and Technology

Enclosures

cc: Ms. Karen Slater
Office of ARA/PTA
U. S. Small Business Administration
911 Walnut Street
13th Floor
Kansas City, MO 64106

OIR&T:CDondero:1/17/89:X36458:(AD90104018):Zenobian:Playton:
cc: OIR&T Files
ES, Room 1043
A, Room 1046
CLA

CLA

cd 1/18
Dondero

Snare

RJS

39

SBA

Dear President Reagan,

I was Recently told that the Government had what was called Small Business Innovative Research (S.B.I.R.) grants.

This is supposed to be money granted to individuals wanting to start a small business that will provide a service or product and keep the flow of employment going. I have an innovative idea but I dont know if its within guidelines of S.B.I.R., Nor do I know if I apply to the Federal Government or to my own State. For that matter, I do not even know for a fact if there is really such an organization or grant as the S.B.I.R.

Could you or your staff derict me to the proper sources on this. Where I live, there are countless kids ranging from 13 up who really have nothing to do but smoke drugs and drink. I'd like to open a "teen center" where strictly chaperoned - non alcoholic - non drug Dancing goes on. There will be dance instructors, dance contests, sometimes live bands, sometimes D.J.'s. I'll appreciate it if you'd answer my letter or see that it gets dericted to the proper place or supply me with the proper addresses. I know how hard you and Mrs. Reagan have worked for a drug free America and I'd like to have one little spot in my area where if you like to dance, you've got a place to do it.

(over)-

without fear of alcohol or drugs. I have no real idea as to whether it would go over or whether I'd have more than 10 kids show up - but I feel deep down there are lots of kids looking for good clean fun.

Thank you so very much.

Sincerely,

Loretta Clayton
22 Mark Dr.
Fenton, Mo. 63026

Transcript of Telecast Money-Money-Money

(Music Intro)

Hal Morris: Thank you. Thank you. Welcome to our show today. Today we are going to learn about how to get government grants. And "grants" means the government gives you the money to go out and get involved in a business. And, we have America's foremost expert on low-interest government loans and government grants, Mr. Wayne Phillips, who has a brand new book called: "How to Start Your Own Business my Doing Business with the Government." And, er, Deb, you may be interested to know that -- that ah -- Wayne used to be with the Charlie Byrd Jazz Band.

Deb Morris: Oh! Sure!

Hal Morris: He was -- he was a jazz drummer, and you have come a long way from the jazz band to America's foremost expert on low-interest government loans and grants --

Wayne Phillips: It's been a long road. Ha. Ha.

Hal Morris: Bring us up to date on what's been happening as far as you're concerned and what's been happening in the area of government grants.

Wayne Phillips: Well, the last two years, Hal -- and thank you for inviting on your program here today -- I've been doing a lot of research -- basically doing the same thing I've been doing for the last eleven years -- you know -- researching and using government programs. A couple of years ago I was sitting on the plane and a gentleman next to me recognized me ? from one of my many television appearances and said: "Well, I've made money with government programs a little bit different than you have, Wayne. The government PAYS me or gives me grant money to start my own business." Ah, and the gentleman's name is Bill McContry from back in Maryland. He has a company called A.M.A.F., where they make circuit boards for computers for the GSA office. And one thing led to another and we talked for the entire plane trip across the country. And, he -- Bill -- got me started looking into programs available for people who had little or no money or own a business -- maybe you need to refinance it, or you can start your own business without having 1) to borrow money and put your house and your spouse and yourself in hock, or the government will pay you to start your own business.

Debbie: Why?

Wayne: Why? Because, No. 1, Debbie, the the the government's going to give you the money -- you're going to provide jobs, you're going to put money back into the economy, you're going to hire people, and No. 2, you know the government's the biggest employer in the world -- you know -- they they need paper clips, they need pencils provided for them -- er -- how about --- A little bit later on you're going to meet a gentleman who's exporting. If 10,000 people were to do what just this one gentleman did we would reduce our trade deficit by 50 billion dollars. And that would have a tremendous impact! And, this is exciting because you can -- you can have bankruptcy or bad credit -- it's not a loan, you don't apply for it. You're given the money or you're paid to start your own business.

Hal: OK. So you go through a process where you go the government and say: "I'd like to go into a business of selling products to some foreign country or --"

Wayne: Or right in your own back yard, Hal. You could start a part time business right now. You could go out and start a part time business in your house. Or, if you wanted to, you could go out and get a franchise -- Pizza Hut, Burger King franchise -- or export or import goods --

Hal: And, you could get government money for those types of things?

Wayne: Well, this is grant money -- or award money -- and they give you the money and -- again -- you're not borrowing the money -- you don't have to pay it back -- so if the business doesn't do -- you know -- too great you don't have to worry about that -- going into Bankrupt City or anything like that.

Debbie: How much money does the government give out to help people start in business?

Wayne: Well, for small businesses, Debbie, there's 33 billion dollars.

Debbie: Ha Ha

Wayne: Just for -- under Executive Orders 11625 and 12138 the government has set aside special money just for women and minorities. There's programs that you can go out and use--

Debbie: (giggling) All right!

Wayne: and get some free money -- you know-- there's just about money available for just about every purpose -- every purpose that you can think of -- there's programs for women and minorities, there's programs for people who own a business and want to sort of get rid of that -- get rid of that high debt load -- You name it there's something for everybody out there.

Debbie: Now, if they -- let's say they give me a grant. What do they expect in return?

Wayne: Well, Debbie, the government's just not going to say: "Here's $100,000 dollars, Debbie Morris, go out and have a party!"

Debbie: Uh huh.

Wayne: They want to know what you're going to do with the money -- the jobs you're going to provide and there is 108 businesses that are approved by the government that you could start and this money would qualify. For instance travel services, or perhaps -- eh -- if you had an idea or an invention. There's money available for you inventors who would be out there --

Debbie: Hmmm.

Wayne: --who are trying to raise -- ah what do they call it? -- capital -- you know -- venture fund capital the government has money available for that. So basically, if you answer the government's questions, Debbie, the government's going to answer your questions and you get your money. And, that's the bottom line is getting your money.

Hal: Now, you created Wayne's Road to Wealth -- you have come up with five steps that people need people to follow --

Wayne: Five proven steps that if they follow they can get $25,000 of this money very quickly and rather easily, Hal.

Hal: All right. Let's go to that right now. Let's go to the screen and look at Wayne's Road to Wealth.

(Screen shows: "Wayne's Road to Wealth. 1. Find a business you would enjoy. 2. Order "How To Start Your Own Business." 3. Apply for your government grant and awards. 4. Obtain government contracts. 5. Repeat this process.")

Wayne: Okay. Well -- Step No. 1 obviously -- I recommend that you find a business that you'll be happy in. Obviously you don't want to be in a business that you're not going to be happy with. No. 2 is you get the information. This is the only book of its kind in the United States.

Hal: Order book.

Wayne: Get this information. There's no other book like it. 3. You've really got to go out, use this information and apply for these awards and grants. No. 4: get the government contracts so that you're paid for providing these services and the most important thing of all, Hal and Debbie, is that once you've done this don't stop just doing this one or two times repeat the process over -- use it to start another business or perhaps employ your family members -- so it's an easy process -- ah -- and, the most important thing: it's very affordable. You know, there's a lot of people -- you see them march across television talking about everybody making money with a good program that would cost three or four hundred dollars to buy the program. What I've done this time is that I've made it affordable for everyone so that everybody can go out and get this information.

Hal: Okay. Now one thing that impressed me this is 338 pages packed full of information!

Wayne: It's about the size of a of an average city telephone book -- look -- it's two years of my life into that darn thing -- and, it's hot off the press -- and I mean, literally, hot off the press!

(Screen shows picture of book)

Hal: And it's not just how to get the grants but it shows you also how to do business with government.

Wayne: It shows you -- well for instance, Hal, I show people how to get the information from the government. Here's a copy of a letter from the United States Embassy in Cairo, Egypt, where I wrote to them and, from -- and I think it was five or ten bucks -- I asked for information and the government sent me this telephone-size book. It's called the "A to Z Directory for Doing Business in Egypt." Now this is just one country -- addresses, phone numbers, banks, contacts there -- and, as you see in the letter there -- there's a lot of Doubting Thomases out there-- "Oh, there's no grant money available" -- there's a -- that's a bunch of poppycock. Right in that letter from the Embassy in Cairo, Egypt, it says: "On Page 37, Mr. Phillips, you will find the information you requested about the grants and the low-interest rate loans." So, Hal and Debbie, not only --

Hal: No charge? You can get hold of this -- ?

Wayne: Well, it cost about five or ten bucks --

Hal: Okay, okay.

Wayne: You know the government is having tough times now and we have to help them about a little bit here and there. But, I show the people how to get this information, but more important than that, I show the people how to answer the government's questions. And, Hal, I'm telling you! This is exciting! When you learn how to answer the government's questions -- man! -- the government answers your questions and you get your money! And, that's what this is all about -- getting your money -- starting your -- starting your business -- putting people back to work -- exporting -- reducing that federal trade deficit -- this is the most -- I haven't been so excited about anything since I got my first low-interest government loan back in 1980 -- and that was a long time ago! HUD - Baltimore?

(Screen: To Order Wayne's Government Grant Book Call 1-800-453-1212 30 Day 100% Money-Back Guarantee)

Hal: That's true.

Wayne: This is incredible!

Hal: Okay. Now we have a check -- a copy of a check there. Tell us the story about the lady who -- and show us this check.

Wayne: Well, this check right here -- this is a copy of a -- Sandy Taylor -- who came to one of my lectures and my seminars. She came to my seminar; 1) because it wasn't free -- there's no free lunch -- and

2) because it wasn't too expensive -- it was, I think, $30 at that time. Sandy went out and she used the information and this is a copy of her very first bank statement that she got from a contract award where the government paid her to do business. She received the very first month $66,570 and change. That's eight hundred thousand dollars a year! Just for going out and providing a service for the government. Now I'm not going to promise the people here in the audience today that they can get such great success as Sandy but, on the other hand, maybe your success will be a lot bigger than that. But, the point I'm trying to make is that in a short period of time the government will provide -- this -- funds for you so you can start your own business. And, how many people here, right now, today are just sick and tired of working from paycheck to paycheck and would love to tell your boss and bill collectors to go shove it? Come on, let me see your hands out there. Sure, everybody would, wouldn't you? Here's an opportunity. You can start your own business without having any risk involved. They pay you to start your own business. And if you are a female or a a minority there are special programs under the Executive Orders 11625 and 12138. This is the most -- you know Hal, this is an opportunity that people can use in a short period of time to get control of their financial destiny. And, I think that's important. It's not get rich quick or make a million dollars, but you can dramatically improve your financial well-being.

Debbie: If you would like to order Wayne Phillips' book for only $49.95 you can call the phone number at the bottom of your screen. Dad, why don't you go get some questions from the audience -- and Wayne, you can introduce the two people we have just been joined by.

Wayne: Well, thanks, Debbie. On my immediate left here this lovely young lady -- her name is Diane Tavares. She is a former government employee who is a business consultant. Diane actually writes the grants for the government.

Debbie: Wow!

Wayne: And, the gentleman to Diane's left is my good friend, Mr. Fred Arbab, and fate brought Fred and I together -- who has an incredible story that I -- I -- think that -- ah -- what Fred has done just about anybody can do it.

Debbie: Okay, well why don't you start by introducing or telling us how you and Fred met.

Wayne: Well, I'll let Fred tell the story. I came back off of a plane trip from overseas and --

"non-published at customers request"
Phoenix information operator

Fred Arbab: About a year ago I was a taxi driver. Mr. Wayne Phillips came in as a passenger into my taxi. As I was loading his luggage into the back -- into the trunk of the taxi I noticed the card, "Frequent Flyer" which one of the airlines -- most of the airlines they have that for frequent flyers. Sitting in the cab and I noticed he was very tired and I asked him if he had been overseas and he said, "Yes," he's come from overseas, he's very tired. I wanted a very short conversation with him, and I told him that: "I noticed the 'Frequent Flyer.' You must be doing a lot of traveling," and he said "Yes, I do, and I'm almost four days of the week out of town and doing -- giving seminars." And I asked what kind of seminars. He told me "on government loans and how to start making your own business." During the 20-minute drive to his house -- to Scottsdale -- I tried to pump him out as much as I could (laughter). After he told me what it cost to get that package I tried to get as much as I could because I didn't have the money to pay for it. After that, um, several times I bother him again at home. I called him. And, about --- starting in March I stopped driving a cab and I start my own import-export company. Within two months after I started the company -- er three months, rather -- I got a contract from one of the companies overseas for $400,000 a month order for one year.

Wayne: That is a total of $4,800,000 on the first order.

Debbie: Oh, WOW!

Fred: That order is going to commence starting the beginning of next month and will be going until October of 1989.

Debbie: And what do you ---

Fred: This was through reading this book, talking to him and getting all the initial starts -- and motivation and the wav he talks -- is very simple, very easy. If I could understand, everybody else can, too.

Debbie: So let me understand: you went from driving a taxi to a contract now making four hundred thou--

Fred: To be an owner of a company -- a import-export company --making $400,000 --

Wayne: A month. It's really $4.8 million. Now just imagine, Debbie, if we can help 10,000 people do what Fred was done we would reduce the federal trade deficit by almost $50 billion. And that, folks, would have a significant impact on our financial future in this country. See, inch by inch, Debbie, it's a cinch. Now Diane, here, --

Debbie: Uh huh!

Wayne: She is the lady who puts the mechanics -- you know I have the technique -- she puts the mechanics -- and Diane hass a very interesting story with -- as a former employee of the state of --

Diane Tevares: Nevada.

Wayne: Nevada.

Diane: I worked for the state of Nevada for twelve and a half years and decided to go out on my own as a consultant and one of the things I had done as an employee was write grants or work with people who were writing grants. And a state agency will ask for $10,000 up to $30-, $40- $50 thousand dollars -- whatever is available and you're told in advance this money will be available. And, different states will apply for it and so when I left the state agency, I talked with Wayne, had some conversations with him, and -- a little bit like Fred -- kept getting in touch with him about more information and now I am working with people, particularly women, in small businesses, that are wanting to start businesses with child care centers, restaurants, -- ah -- franchises, whatever--

Debbie: That's exciting!

Diane: Thank you.

Wayne: Yes. There are special programs just for women and minorities and there's opportunities are for people -- there's also -- if you happen to be a retired person -- there's special opportunities out there so if you just don't want to go out and play nine -- nine rounds -- nine holes of golf -- that you can start a business and perhaps travel a little and go to trade shows and things like that. It's very -- it's very gratifying, Debbie, to know that. Yes, I make money doing this -- Fred and Diane and the people watching now, they will make money doing this -- but I think the bottom line is that you're really helping people -- and that's -- that's very gratifying.

Debbie: And, what I like about is that you can choose a business you enjoy doing. So many people are in jobs that they are unhappy in and when you start your own business -- that's exciting!

Wayne: There is one program I'd like to take just a moment to mention It's called an S.B.I.R., and I was mentioning it to Diane a little while before the show. This is a small business innovation research program where there's $400 million in grants available right now. It's a federal program administrated through the state government. You can apply through the state government and get $25,000 very, very easy and a short period of time. And, just think, if you started your own business, Debbie, and you provided XYZ service for the state of California and your profit was only $10,000 wouldn't that make a substantial impact on your financial well-being and take care of some of those credit card payments that we've all ran up --

Debbie: Oh, yeah!

Wayne: -- during the last year or two? And, this is just one program that you can get started with immediately. It's very exciting.

Hal: One of the programs that are out there has to do with minority programs--

Wayne: Right.

Hal: -- and also welfare. I -- I saw something the other day where women who've been on welfare are being set up in their own businesses and many times they are operating it from their home while they're taking care of the kids. But there are grant programs in all types of different areas -- isn't that correct?

Wayne: That's true, Hal, and more importantly, the government will pay professionals like Diane to help you set up your own business.

(MUSIC -- Info with voiceover of Wayne: "How To Start Your Own Business by Doing Business With The Government" $49.95 + $4 shipping and handling. 1-800-453-1212 Visa - Mastercard - Am. Exp. (No CODs). or send check or money order to Government Grants, P.O. Box 94444, Mission, Kansas 66701. If you order now: #1 Government Grant Alert Service. #2 List of products and services the governmen will pay you for on a daily basis.)

Wayne (over above): Go to the telephone. Order this information now. Call the toll free number you see on your screen. Or send your check or money order to the address you see on the screen. Look: think about all the ways that you can be making money with this opportunity. Think about the people you can be helping AND, if you do that the first thousand people that order from this broadcast I will send you as a special bonus my "Grant Alert Service." Look, this is the only service of its kind in the entire country where you will be alerted before anyone else to these government awards and contracts in your area. AND, as a second special bonus I'll even send you the list of businesses that the government will pay you on a daily basis for. So go to the telephone. Call the toll-free number you see on the screen or send your check or money order to the address on the screen. DO IT NOW!

(Switch to Hal in audience)

Audience member: Would you have to be very, very thorough, like maybe do pre-marketing or whatever to present a proposal for a grant?

Wayne: Excellent question. And, the answer to that -- and this is my little pet baby right here.-- Ah -- In my book I have a business plan and I'm telling you something: this is the piece de resistance that I've worked on for two years. This business plan takes you step by step and shows you how not only to answer your questions but more importantly how to answer the government's questions. As a matter of fact, I have examples here. Obviously you want to take my name off of it and print your name on there otherwise -- or if you want to put my name on I'll be happy to start a business with you. But, I take you step by step and you show the government what the government's going to get if they give you a three or four hundred thousand dollar award. And, when you show the government what's in it for them, you're going to show it -- how the government to give you the money and you're going to get your business started. You're going to get your money. That's so important. That's what the business plan is all about.

Audience member: My question is I'm interested in starting a riding school for handicapped children. The second part of my question deals with: Would the livestock which are needed for this type of child come under that grant program?

Wayne: Well, the answer is yes and no -- it all depends. You have to remember the government wants to know that the more money they give you the more jobs they want you to put people to work with. So if you were to get a small award -- say $25,000 the answer would probably be no. However, if you were to apply for and receive -- say $250,000 or $300- or $400- thousand and hire two or three or four full time employees then you -- the chances are very -- very -- good that you could in fact pay for the livestock that would be included in your business.

Hal: Diane, you are shaking your head in agreement with that?

Diane: Yes, I agree with Wayne and also I've found also the government tends to go with grants that are dedicated to either women, children, handicapped or those things and it may be your creative idea that they would choose to fund. ?

Audience Member: I feel like fate's brought me here because --

Wayne: Well good --

Audience member: I am involved in a start-up business right now. It is woman and minority owned.

Wayne: That's great.

Audience member: We are making plastic products and exporting them to other countries so we're exporting American-made products to other countries. And, ah -- we need start-up capital. We're going to go the conventional system with the bank loans --

Wayne: Right. Don't do that!

Audience member: So, do you have any suggestions?

Wayne: Yes, absolutely, Linda. For instance -- and I'm glad you asked that question. I have right here the name and address where you can apply for a mailing list -- this is the mailing list of 160,000 businesses overseas that are looking to buy your product. Ah. In addition to that -- something more important -- if you're not a female or a minority -- and I would certainly qualify for that -- (background giggles) -- what you do is that you form a little Sub S corporation, have your wife, mother, sister or daughter own 51% or more, Linda, of that corporation. PRESTO! You've formed a minority, female corporation. So the answer to your question is yes, there is money available -- either award or grant money, plus, more important than that, you have a mailing list -- the export mailing list in here that you can use for a 160,000 businesses overseas looking to buy your products.

Audience member: My name's Joanne Joiner and my question is: what sort of credit rating to they want to look at?

Wayne: Oh, good, Joanne.

Audience member: No.

Wayne: You don't need a credit rating because you're not going to borrowing money.You see you're given money or you're paid to start a business. This is my whole point. I've failed if I haven't brought that across, JoAnn, to you. This is not a loan. You do not apply for anything. You have to provide a proposal -- a business plan where people like Diane could help you with or my business plan in the book will help you with -- but it's not a loan. You can file bankruptcy this morning and go out and get this money tomorrow afternoon. But you have to remember this Joanne, that you've got to show the government what's in it for them. How many people are you going to hire if you start a little business? How -- you know -- what kind of FICA is the government going to get -- you know, the insurance, Social Security insurance -- show the government what's in it for them and, and you can forget about going to a bank. So that's the beauty of this. You are absolutely paid or given money where you don't have to qualify. And, if you make $100,000 or $2 million a year -- or if you file for bankruptcy it doesn't make a difference because you're not borrowing

Audience member: I see.

Wayne: Good luck to you.

Hal: So Wayne, you don't even fill out a financial statement?

Wayne: You don't even fill out a financial statement. You have to fill out a business plan and show where the money is going.

Audience member: Wow!

Wayne: Don't you like that better?

Audience member: I love that!

Wayne: Joanne, hey -- you've got to show the government where the money is going to go. I mean you can't take a trip to Las Vegas and have a party. I mean-- that's a No-No.

Hal: OK. Over this way.

Audience member: OK. Hi Wayne.

Wayne: Hi.

Audience member: My husband is Wayne.

Wayne: Good.

Audience member: I'm Elaine. We're interested in starting a home appraisal business. What I want to know about this grant --

Wayne: Yes.

Audience member: How stringent are -- ah -- is the government policing the grant process and -- ah -- how often would we expect audits or -- ah -- inspections or whatever if it was granted?

Wayne: Why don't I allow Diane answer that question. That's more of her area of expertise right there.

Diane: Thank you, Wayne. I think that if you write your proposal and particularly the business plan that's in the book I found to be very beneficial because you address all the areas, and usually you're not accountable until a time frame has come up like your grant is for a one year period or for six months and at that time when you're reapplying for a grant you would be stating what you had done with it. Some of them may ask for specific time frames like a report once a month but very few of them do.

Wayne: Understand folks, with $33 million sitting out there for small businesses. See the government understands that seven out of ten new jobs are going to be created, Debbie, by the small entrepreneur-- the small business person. If you were only to receive one one-thousanth of one percent of this money you would have a $330,000 grant. And, that's a lot of money so remember there's so much money available you couldn't sell enough books to get rid of all the money. There's an almost unlimited amount of money available for any kind of job and opportunity.

Audience member: Thank you.

Wayne: Thank you. Good luck to you.

Hal: Wayne, earlier in giving your five steps to the "Road to Wealth"---

Wayne: Right!

Hal: -- you said "Repeat the process."

Wayne: Repeat the process!

Hal: Your point is once you've done it successfully then you're on the track record and can you can do it over and over again.

Wayne: Well, right! Not only that, Hal, the government will pay people to come out and help set up your business -- will pay professional business consultants like Diane, or sometimes there is a special program, for instance, Debbie, where the government sends out retired business executives to help you set up your business for free. Why? Because these people have been in business all their lives, they're retired, in their seventies and they believe in the free enterprise system and they want to pass this down from generation to generation. This is the greatest country in the world. Now we've gotten off track somewhere along the line but here's how we can put this country back on track: reduce that federal deficit. Yeh, we're going to make a buck out of this but that's what free enterprise is all about. You know: helping people and helping yourself. And, here's an opportunity that you can have a dramatic impact on the financial well-being of your life and the country of the United States of America, too.

Hal: All right. Review for people -- I'm sure they're going to want to get your book -- review for people -- ah -- what they're going to get and how much it is.

Wayne: Well, they're going to get the only book of its kind, Hal, ever written in the United States: "How to Start Your Own Business By Doing Business with the Government" where you don't borrow money -- the government pays you or gives you the money for providing a service or exporting goods for instance like Fred has done. They get my business plan and -- I'll let Diane comment on that -- I mean, you have to spend -- what? -- a $1,000 or more for a business plan. I give you the names, addresses, telephone numbers of every federal, state, and local agency that wants you to do business with them. There's programs in here -- if you want to go to the trade shows -- perhaps you can get money and they'll fly you over to Frankfurt to the annual trade show over there -- now they'll make you fly on an American airline though -- they want that money to stay with the United States. If you have a travel agency you can stay in the business. If you own a business now you can get money to sort of pay down your overhead and refinance it. You know, you get everything that you need to get started, take advantage of this information. The opportunity is there. The programs are there. And, whether you do something or not about it, folks, somebody else will be doing it if it's not you. And I think that's the essence of this program. It's affordable. You can get $25,000 rather quickly and safely and very fast and there's no risk involved.

(MUSIC: Info-- same screens as before with voiceover by Wayne)

Wayne: Go to your telephone and call the toll free number you see on the screen right now or send your check in to the address on the screen and get my book: "How to Start Your Own Business By Doing Business With the Government." Look! Do it now. It's only $49.95 which is less than 15 cents a day for all this information. And, I will also include my special "Grant Alerts Service" as a bonus for your benefit which will alert you to all these opportunities in your area and you will also receive the list of businesses the government will pay you for on a daily basis. So go to the telephone. Call the toll-free number on the screen or send your check in to the address on the screen and think about all the ways you're going to be making money. Do it now!

Hal: Let's just give a few closing thoughts as we go around. Fred, from your vantage point do you recommend Wayne and his program?

Hal: Tell us why.

Fred: 100% Because there is an example sitting right in front of you.

Hal: You.

Fred: I did.

Hal: That's right. You went from a taxi driver to a company doing $400,000 a month.

Fred: A month.

Hal: That's exciting. Diane, how about you?

Diane: I definitely do. Both for the business plan and the grant writing. It gives a person an opportunity without going into debt to try and get their own business started.

Hal: And, you know there are consultants out there that are want $1,000 or $1,500 to set up the kind of business plan that Wayne's talking about aren't there?

Diane: Yes. That's what I would charge.

Hal: Really?

Diane: Uh huh.

Hal: And -- and -- in his book for $49.95 you get the same --

Diane: There's an excellent plan there. It's very thorough. It addresses all the areas that you would need, particularly for a grant. But it also starts your business out on a footing that's very solid.

Hal: That's good practical advice.

Diane: Yah.

Hal: Ok. Wayne, any last thoughts from you?

Wayne: Just do it folks. Don't listen to the people who tell you what you can't do. Listen to the people that tell you what you can do. You can do it. Fred's done it. Diane's done it. I've done it. And, you can do it, too!

Hal: Great! Let's give him a hand.

APPLAUSE

Wayne: God bless you. Thank you very much.

○